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Megatherm Induction Limited
(Formerly Megatherm Induction Pvt. Ltd.)

Megatherm Tower,
Plot L1, Block GP, Sector-V, Electronics Complex,
Salt Lake City, Kolkata - 700 091, India.

Date: 18th November, 2024

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

Ref.: Megatherm Induction Limited / NSE/2024-25/56
Symbol: MEGATHERM
ISIN: INE531R01010

Dear Sir/Madam,

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

With reference to our Company's Post Earnings Conference Call held with the Investors/Analysts on 13th November, 2024 at 3:00 pm., and pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we, Megatherm Induction Limited, are submitting herewith Transcript of the said Meeting.

Kindly take the same into your records.

Yours faithfully
For, Megatherm Induction Limited

(Abanti Saha Basu)
Company Secretary & Compliance Officer

Place: Kolkata



MEGATHERM INDUCTION LIMITED

H1 FY25

POST EARNINGS CONFERENCE CALL

November 13, 2024 03:00 PM IST

Management Team

Mr. Satadri Chanda - CFO & Whole time Director
Mr. Vineet Mohta - AVP Accounts & Finance
Ms. Abanti Saha Basu - Company Secretary

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit:

Ladies and gentlemen, I welcome you all to the Post Earnings Conference Call of Megatherm Induction Limited for H1 FY'25. Today, on the call from the management we have with us, Mr. Satadri Chanda, CFO & Whole Time Director and Mr. Vineet Mohta, AVP Accounts & 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, reminder that this call is being recorded.

I would now, request the management to run us through the investor presentation, and the business and performance highlights for the half year went by, the growth plans and vision for the coming year, forth which we will open the floor for Q&A. Over to you, sir.

Satadri Chanda:

Yes. Welcome, everyone. So, let's go ahead with the presentation. We'll discuss our performance for the first half of this financial year, as well as our future plans.

So, for the interest of those who are new to Megatherm or maybe joining, this is the first presentation of Megatherm that you're seeing. So, I'll quickly go through about our company in maybe five minutes, and then we'll dive into the financials as well as what our plans. So, about us, we are manufacturers of various induction equipment. We cater to the [Technical Difficulty] [0:01:30] manufacturers and we cater to various industries like, metals [Technical Difficulty] [0:01:46] as well as all over India.

So, the Managing Director is my father. He's [Technical Difficulty] [0:02:01] and recipients of various awards. He has about 45 odd years of experience. And for me, it's been about seven, eight odd years. I did my Masters in Engineering from Virginia Tech, U.S. And post that, I was working with KPMG's consulting team, Strategy and Ops in Mumbai for two, three years, before joining the business. And just a little bit about the induction technology, it's not very new, but it's fairly new technology. It essentially uses, electrical eddy currents to heat or melt metals. It can be various metals. It can be copper, aluminium, steel, iron, et cetera. And unlike conduction, this method is quite efficient, and it's quite green. It's non-polluting. And some of the products that we manufacture include induction melting furnaces.

Vinay Pandit:

Yeah. I switched off your video, because your voice is cracking. So, it's using up your bandwidth.

Satadri Chanda:

Okay. All right. All right. And our products are induction melting furnaces. These go into the steel and castings sectors, metal sectors and casting sectors. Then, we have the induction billet heaters and induction heating hardening equipment group(technical Fault) into various other engineering sectors like automotive, pipes and tubes et cetera, railways, et cetera. The induction power sources are basically the brain behind these equipment. So that is what powers this equipment and this is basically the IP of our company. And a lot of developments have happened over the years in in terms of efficiency et cetera of these equipment. And all of these equipment require a step-down transformer. So that is how we initially got into transformers, in way back in 2007-ish. And since then, we are making transformers for the industrial products. But now we are expanding rapidly in other types of transformers, as well as the market is quite big.

And since we are already in the steel sector, we've also won for other downstream products like ladle refining furnaces, electric arc furnaces, continuous casting machines, fume extraction systems. These are products that primarily cater for steel melting sector. Whereas the ones above are mixed steel, transformers are required in transmission distribution across various industries, even solar. That's something that we are planning on this year. And like I mentioned, automotive railways et cetera.

So, these are some of the products that we manufacture. We have two manufacturing facilities. This is our induction products manufacturing facility. This is in Kharagpur in Vidyasagar Industrial Park near West Bengal- Odisha border. And this is basically the upcoming transformer facility.

As you can see that the factory is ready. Currently, **[indiscernible]** **[0:05:17]** in the end of December, and we are targeting testings and certifications by December, January, post which we will start production. So from this factory, we are going to make power and distribution transformers, inverter duty transformers. This goes into the renewables and solar sector. LRF and arc transformers and converted duty transformers are basically the induction transformers that we already make.

And of course, this transformer facility is going to be the largest transformer manufacturing facility in the eastern part of the country means, you can include Bengal, Bihar, Odisha, Jharkhand,

Chhattisgarh and the Northeastern states. In the entire this area, this is going to be the largest transfer manufacturing facility. And we have our in-house R&D team. We employ roughly about 100 engineers. And we do have foreign collaborations, but that is mostly for the sales and servicing side.

The technology is our own completely. And like I mentioned, we are spread across approximately 52 odd countries. But we have to grow our presence in quite a few of them. And I will discuss that during our way forward discussion. These are some of our clients. We have a lot of clients, a thousand plus clients.

So, these are just some of the Q1s. And there are a competitive advantages but for these particular products, you will see that the electricity is a raw material. So, electrical consumption and reliability, these are the two main factors. And this is basically, where we excel. And that is why although we were slightly late entrant compared to, in Electrotherm and Inductotherm, which are our competitors. We are rapidly gaining market share. It's primarily because our equipment, we focus on the energy consumption part and the reliability part. These are two very important factors.

And like I mentioned, we are catering to (technical Fault)-- if foundry sector -- the auto sector, we don't directly sell to the automobile manufacturers. We sell to the ancillaries, the auto ancillaries. Now, they are supplying to India. They're also supplying auto components abroad. So, the exports have actually increased significantly and that is why we are seeing good growth. Also, railways is seeing a lot of demand right now. And when it comes to the power sector, the demand is growing gradually. It's not aggressive 15%, 20% growth, more of a 7% to 9% growth. But here, renewable is one segment, where we are seeing a lot of traction. And this is one area that we are trying to get a larger exposure and do more business. More on this, towards the end of the presentation. And another part is of course, steel. As you can see, we primarily make the arc furnaces and induction the electrical furnaces.

Our primary product is induction furnace. We also make some arc furnaces, although the -- as you can see here, the demand for arc furnaces is less. It's primarily in India. It is induction and blast furnaces. Due to the costing, as well as the market demand and requirement, the arc is less in India. But induction is seeing a lot of traction and blast furnace is seeing a lot of traction. Although arc

furnace also has certain applications, which are better produced through arc furnaces.

So, typically, if you see the white good steel or auto steel, it comes from arc. The blast furnaces is primarily required for sheet, most of the sheet steel that you see from SAIL, Jindal, etcetera, is from blast. And most of the construction steel like long products, like TMT rebars, various types of wires, channel, angle, mostly construction steel that comes from induction. And we have good order book from the steel sector.

Market is slightly dull right now. **[Technical Difficulty] [0:10:02] the imports.** In our case, it's more of capturing the market, which is already there means getting clients from Electrotherm to shift over to us. And as you can see, the electrical furnaces are much less polluting. They have way more, way less, CO equivalent emissions. So, the government is also pushing for these furnaces.

Government is trying to get the scrappage policy going. Although right now, there isn't much traction, because the discounts for scrapping your old vehicle, it's not a big amount. But different state governments are trying their best. So, I think once this gains traction, we'll see even more demand for these products.

These are some of our awards and coming into the financial, so if you compare it with last year's first half, so in any capital goods industry, typically in India, we see that the second half is slightly better than the first half. In the first half, we see a lot of range et cetera. So, most of the construction activity, so the steel sector, as well as other CapEx also take is a little slow. Whereas the second half of the year, we usually see more traction. And this will reflect if you see compared to two halves of last financial year as well.

So, if you see right now, in the first half of the year, our factory is running at 100% capacity. If you visit also, it will be visible. And we invite everyone whenever you get time, you get in touch with our team, and we'll arrange your visit. So, the revenues are more or less flat. It's running at max capacity right now.

However, we have done a lot of backward integration. So, those who have been discussing with us in the previous meetings that we have invested a lot in the backward integration to improve the bottom line. So, you will see that there has been improvement in the bottom line. Our eventual target for profit after tax is 9% and we'll discuss those in

in the last part of the presentation, and we are going towards that. And most of the backward integration part is complete.

The results we will be seeing now probably from the second half of this year and some of the backward integration is still pending. Backward integration means the extrusion of copper, which we already outsourced, the manufacturing of crucibles, the CRGO cores living. So, all these things were early outsourced and that all the vendors used to keep their margins. Now, we are backward integrating those. So, we will gradually see an improvement in the bottom line. And one minute. Yeah. Sorry. And factory is running at 100% capacity. Our factory, the transformer factory will be commissioned in January. Our testing and certifications will be done by January-February period. And after that, we will have an inauguration of the factory, and we will start production.

So, if you look at the revenue, as I said, the factory is running it now in almost full capacity. So, the top line, there's not much difference. But you can see that the bottom line has improved and this will further(technical fault) improve. It will further improve and we are counting 9% bottom line in the next couple of years. These are some of the annual figures for those who are new to Megatherm.

Vinay Pandit:

Should we move to the Q&A now?

Satadri Chanda:

Yes. And of course, the last part, the most important part, the way forward. So, I'll just address this slide and then we'll go to the Q&A. So, each sector, we have made certain plans.(Technical Fault) So, the next couple of years, our target is ₹45 crores of bottom-line (Technical Fault) point expand capacities. So right now, as I mentioned, it's our (Technical Fault)fact learning at full capacity. Once this transformer factory increase from currently around ₹30 crores, it will go to about 100 to (Technical Fault)100 transformers, and not just the induction transformers. And when the transformer shifts out, this will also enable us to expand our induction products.

So, our induction products also, we are targeting about, ₹50 crores to ₹75 crores of additional turnover. So, this CapEx will take us from the current ₹300 crore roughly level to the ₹500 crore level. This is one angle. The other angles are for different marketing, the different markets. So, one is the increased market share in the castings, the foundry castings sector.

So there, we are seeing the market is quite strong now and our new products have been launched. And we are going ahead with aggressive marketing strategies to capture that market. We are also developing new capabilities in the heating and hardening sector. So, in the heating and hardening sector, the primary competition is Inductotherm. Inductotherm is not listed, but you can get their details from MTA or their website.

So Inductotherm has a lot of -- they have monopoly in a lot of different parts. So one by one, we are getting into those products and we have already started getting orders. We have executed a lot of firsts for us and this is one area, which is quite promising. Then, when it comes to the steel sector, we are (Technical Fault)enhancing the team. We have slightly less market share in the southern and western region.

So, those are two areas, where we are strengthening our team. And we are also (Technical Fault)the other products, which are required for steel plants. Since our listing, we have supplied quite a few of these. And now, we are seeing that, we are in the market now. We are known that Megatherm is a supplier of these equipment also. And this is going to give good rewards for us in the future.

And finally, the export part. So export, our export is roughly 20% to 30%. But as the turnover grows, to ensure that it remains in the 20% to 30% range, we have to expand our footprint. And for that, no matter how many sales team members you add, it will not be enough. So, what we are planning to do now is to establish sales agencies and tie ups in various countries. We are seeing good demand from Europe, even North America. So, we are going to set up agencies and tie ups in these regions.

All over, we have targeted South Africa, Turkey, Southeast Asia, Mexico, various other promising countriesand we will take part in the trade fairs and other relevant events, and that is going to help us (Technical Fault) across the products to help expand our global footprint. So, this is the overall plan that we have. If you broadly -- from the current ₹300 odd crore level, to go to that next ₹500 crore level, approximately, you can say about ₹70 crores to ₹120 crores, ₹130 crores will be added from the transformer side, and the rest will come from the induction side, one (Technical Fault) the transformer production shifts completely. So, this is basically the macro plan that we have. And considering our order book and everything, we are quite confident of achieving this.

So, we are ready for questions.

Vinay Pandit: Sure. Thank you. If you could disconnect the presentation, then we'll move to Q&A.

Satadri Chanda: Yes.

Question-and-Answer Session

Vinay Pandit: All those, who wish to ask a question may use the option of raise hand. In case you're not able to do that, please drop us a message on the chat, and we'll invite you to ask question. We'll take the first question from Tushar **Raghatate**. Please go ahead.

Tushar Raghatate: Yeah. Good afternoon. Sir, thank you for the opportunity. So, I just wanted to know, in the power transformer, till what PVA, are you planning to manufacture?

Vinay Pandit: Satadri, your Internet is lagging quite a bit. So, I would request you to click the video off. Yeah.

Satadri Chanda: Is it better now?

Vinay Pandit: Sure. Please go ahead.

Satadri Chanda: Yeah. Thank you. So, we'll go up to 50 MVA. So 50 MVA, we want to play in the middle range. So, there are different categories. So, you have the 50 plus MVA. [Technical Difficulty] [0:20:40]. Then, there you have the smaller ones that is then [Technical Difficulty] [0:20:53] MVA, 1,000 KVA. I hope that you answered it.

Tushar Raghatate: Sir, actually your voice is not clear. I couldn't get.

Vinay Pandit: The management is just joining back. They're just getting the network correct. Please go ahead.

Satadri Chanda: Yes. So, regarding the transformers, we are planning up to 50 MVA now. So, we are planning to manufacture between 3,000 KVA to 50,000 KVA, this range. Not smaller and at this moment, not larger than that.

Tushar Raghatate: Okay. Sir, what would be the realisation, for the same?

Satadri Chanda: Sorry. If you could just repeat that.

Tushar Raghatate: What would be the realisation range of the transformers of the power transformers, which we'll be manufacturing?

Satadri Chanda: Yes. See, at this moment, we are seeing more inquiries on the solar transformers. So, we are seeing lot of traction in the solar transformers more than the power transformers. So, in fact, our testing and certification is also going to be in the solar transformers. So that is one area we are focusing more on. And the realisation in the solar transformers at this moment, if you see Indo Tech Transformer, Star Delta, Silchar Transformers, they're also focusing on the solar part. Right now, we are seeing good bottom line, in these, we are looking at around 10% to 12% bottom line in our case for the solar transformers. And for the power transformers, the realisation is typically around 8% to 10%.

Tushar Raghatate: Got it, sir. And sir, as you said that, you're all booked in terms of capacity. So, do you foresee any growth in the H2, or the growth will come from majorly in FY'26?

Satadri Chanda: H2 see, second half is usually better than the first half. So, on that account, I guess, H2, we will see some growth. And compared to the last financial year, it's all about how quickly we can see, we have the order book. We are seeing how quickly we can shift out the transformer from our existing factory into the new one. So, as soon as that happens, we'll be able to see the results. And at this moment, it is scheduled for the shed is complete, as I showed in the photos. But the machineries are being installed now. So, I'm guessing, we'll get the last, like, March or maybe February and March, these two months, essentially.

So, we could see some upside compared to last financial year. But another angle is the bottom line, which we are working on extensively. So that is expected to give us some good results. So, already you can see the bottom line has increased. And so, we are seeing compared to last year also, the bottom line should be better.

Tushar Raghatate: Okay. And in terms of order book, like, how many months, you need to execute those, and what is the current order book?

Satadri Chanda: Yes. So currently, we just checked the order book is near to about almost ₹350 odd crores, and it is increasing as the transformer if you look at the transformer inquiry, then it is going much more than that. So in terms of order book, we don't see much of a constraint. Now, we

are primarily focusing on, commissioning the factory as soon as possible.

Tushar Raghatate: Got it. So sir, my last question in terms of transformer. If you rank the transformers, considering the application, which would be the highest in terms of margin profile?

Satadri Chanda: Yes. Currently, it is, IDT, Inverted Duty Transformer. This primarily goes into the renewable sector. So, here at this moment, you will see a lot of the companies are having strong bottom line, because of that. So that is giving good realisation.

Tushar Raghatate: Fair enough. That was helpful. Thank you. I'll get back in the queue.

Satadri Chanda: Sure.

Vinay Pandit: Thank you. We'll take the next question from Jayesh Lad. Jayesh, can go ahead.

Jayesh Lad: Firstly, sir. Currently, our capacity is around 300 units. Sir, I wanted to ask is post expansion when the transformers will also come, what will be the total number of units that we can produce? Like, what number of transformers we'll be able to produce in a year?

Satadri Chanda: Yes. Actually, that 300 units was, I know it's a little misleading. It was there somehow printed in our prospectus for the IPO. Actually, if you look at it, it depends on the kilowatt of the MVA rating. So for example, obviously, if you look at say, if you make 50 MVA, it's not going to be 300 units. And if we make, say 3 MVA, then it will be much more than 300. So, it's difficult to look at it that way. So, it would be easier to look at it from the perspective of MVA and so total MVA. And we know that the MVA price of transformers rightly, roughly, you can say right now, it varies between depending on type to type. It varies between 600, 700, to about ₹900 per MVA. So, from that perspective, in the new factory, we are seeing ₹100 to about ₹150 crores of turnover can be done provided we are running double shifts.

Jayesh Lad: Understood. Understood. And sir, secondly, regarding your backward integration of CRGO. So, what I understand is the CRGO is mostly imported, and mostly people import mother coils, and then they make laminations, and then they provide. So, what are you planning to do? Are you doing the same? Gonna import CRG mother call and then convert into laminations, or you're going to start CRG production from scratch, which is currently, I think, not available in India?

- Satadri Chanda:** Yes. The CRGO production is an enormous endeavour. It's probably, I think, Nippon is tying up with GSWS, I guess.
- Jayesh Lad:** Yeah. GSWS, yeah.
- Satadri Chanda:** So that is not feasible. But what I'm talking about is basically buying the coil and doing the processing in-house basically.
- Jayesh Lad:** And sir, what will be the capacity of that? Like, the CRGO that into MTPA. So, what is the capacity of the coils you want to make the laminations?
- Satadri Chanda:** Capacity as in the processing capacity that we are...
- Jayesh Lad:** Yeah, sir. Yeah.
- Satadri Chanda:** Yeah. So, almost you can say, right now, we are doing process -- it just started. We did the pilot project and it is successful. And right now, out of our total induction requirement, we are able to cater to 25%. And now, we will rapidly ramp it up to -- we want to first get a 100% of the induction CRGO requirement through this. And then we'll move into the transformers.
- Jayesh Lad:** Okay, sir. And so lastly, sir, regarding other than transformers, the induction side, we have various products, which is the most valuable, the one which is giving us the most revenue. Is it lateral refining? Or what is the...
- Satadri Chanda:** No. It is an induction melting furnace. Induction melting furnace and induction heating equipment. These two are giving us the most revenue. The ladle refining furnace, arc furnace, continuous casting machines, these things, we were not that in a big way into these markets earlier. It's only the last... Hello?
- Jayesh Lad:** Yeah, sir. Please continue.
- Satadri Chanda:** Yeah. Only in the last year, year and a half, we've gotten into these products aggressively and we are seeing good traction. But the bread and butter, you can say, is basically the induction melting furnaces and the induction heating hardening equipment.
- Jayesh Lad:** So, just a last question to clarify this. So, you're saying your capacity is not 300 units of induction heating or melting?

- Satadri Chanda:** No. Actually, it depends on the MVA.
- Jayesh Lad:** The MVA. Okay. Yeah. I got it.
- Satadri Chanda:** At the time of the prospectus, our investment banker, they made an estimate and gave 300 units.
- Jayesh Lad:** Okay. No worries. I'll get back in the queue. Thank you so much, sir.
- Satadri Chanda:** Sure. Thank you.
- Vinay Pandit:** We'll take one question from chat from Abhi Jain. His first question is, can you tell us the total capacity of transformers in MVA post and pre-expansion?
- Satadri Chanda:** Yes. I don't have the figures with the MVA front, but if you divide MVA with or rather multiply it with ₹600 to ₹900 rupees per MVA, right now, we are doing transformers of ₹30 crores. And out of this ₹30 crores, almost ₹28 crores or ₹27 crores is for the induction products only. But post expansion, we will have capacity to do ₹100 crores, ₹250 crores, approximately depending on the type of transformer, of which we will completely do the induction of all the induction transformers in-house, which will become basically around from the current ₹28 crores to about ₹35 odd crores. And then the rest will be a mix of the induction duty transformers and the power industrial, or substation transformers.
- Vinay Pandit:** The second question is, what is going to be the percentage of revenue from IDT transformers?
- Satadri Chanda:** Yes. So, if you're looking at roughly ₹100 crores of, say, transformers, conservatively, then, around ₹30 odd crores, ₹30 crores, ₹35 crores will be from the induction transformers. Then, we are looking at approximately another ₹30 odd crores will be the industrial transformers, LRF are transformers. And the balance 30%, 40% will be in the solar transformers. With the machinery that this is our macro plan.
- With the machinery that we are installing now at this moment, it will be initially say, if we do say about ₹60, ₹70 crores initially right now, here, the induction transformer and the inverted duty transformer will be more. The power transformers or the substation transformer will be

less. But going ahead, if you look at the ₹100, ₹150 crore total turnover, then it is going to be sort of split evenly.

Vinay Pandit: Sure. We'll take the next question from Tushar Vasuja. Tushar, you can go ahead.

Tushar Vasuja: Thank you for the opportunity, sir.

Satadri Chanda: Hi, Tushar.

Tushar Vasuja: Yes. I have a couple of questions. Firstly, will there be any trial or gestation period before the transfer facility will start generating revenue?

Satadri Chanda: Yes. Good question. So, there are some certifications that you have to do, like CPRI testing, et cetera. So, those testings, we have already applied. We've got the dates, I think, one of the dates signed January. So, once the testings are done, then the orders will start to flow. Some of the trial orders already have started to move the trial orders or the initial LOIs et cetera. Those may not require the CPRI testing. So, if you take overall, you can assume that from January, February max, we will start.

Maybe, in the first financial year, that is the next financial year, we'll be running at about, say, half capacity. But with the current traction of orders that we are seeing, I think within the first six months of the next financial year, what I feel, we'll get the bulk orders. And so probably, from the first six months of the next financial year, after that, we should be getting into a position, where the factory is running at full capacity.

Tushar Vasuja: Okay, sir.. Okay. And so, what's your current revenue bifurcation in terms of different products that you guys do?

Satadri Chanda: Right. So, if you look at the roughly ₹100, ₹300 odd crores of turnover if you see right now, we are doing approximately, you can say about ₹50 odd crores from the forging, foundry this segment. We do about ₹60 crores to ₹70 crores of spares.

So, spares and after sales parts, this is basically the profitable part of the business. It is usually around 20% odd of the turnover and it depends on how many equipment that you've sold in the past, essentially. So, all the equipment that we have sold in the last two, three years, we will start getting their space revenue from this year or

the next year. So, we have ₹60, ₹70 crores of spares, about ₹50 odd crores of the engineering sector, and about ₹30 crores to ₹35 crores of transformers. And the rest of the ₹300 crores. So, it comes to roughly, you can say, half and half.

So, half is the other products and spares, and half of the revenue is coming from the steel sector, of which there is induction melting furnace, of course, and to some extent, the continuous casting machines and ladle refining furnace, arc furnace, fume extraction, all these things.

Tushar Vasuja: Okay, sir. And sir, how will it change after your transmission capacity started?

Satadri Chanda: Yes. So, if we look at, say, our target of ₹500 crores, in that target, we are seeing that, say, about ₹100 crores to ₹150 crores of transformers. In two years' time, the spares will grow from about ₹60 odd crores currently to about ₹70 odd crores. And the induction products, the engineering side, that is going to grow to about, ₹80 crores to ₹90 crores. So, if we add 80, 90, then about 100 of transformers and about 70, so 250, 250. So, it's sort of remaining same.

Tushar Vasuja: Okay, sir.

Satadri Chanda: Only thing is that the transformer market share is increasing quite a bit.

Tushar Vasuja: Okay.

Satadri Chanda: From the current 10% level, the transformer is projected to go to around 20%, 25%.

Tushar Vasuja: Okay. And so, there will be a huge national level CapEx in transmission networks all over the country.

Satadri Chanda: Yes.

Tushar Vasuja: So, how do you view this opportunity and how much of it would you be able to capture?

Satadri Chanda: Yes. So, this is actually one of the reasons we are quite bullish on the transformer side and we have already recruited a sales team from competitor companies. And we are quite positive actually. That is one of the reasons we are investing in the transformer field. It's going to be

at least for the foreseeable next three, four, five years, we see that the entire transmission distribution line, especially with the green energy, it is going through sort of a revolution. And also, a lot of the older transformers, which have higher losses of more than 1%.

Nowadays, those criteria has been brought down to about 0.3%, 0.5% loss. So, everyone is going for a more efficient transformer and more efficient transmission line. And this trend should continue for at least, next three, four, five years, if not longer. So, we want to capitalise on that.

Tushar Vasuja:

Okay. And so lastly, has the current steel price fall had any effect on the steel cap and generally, and how do the steel prices usually affect you? So, have you faced any order cancellation or delays or something of that sort?

Satadri Chanda:

Yes. Actually, the steel market in general is slightly sluggish, at the moment. But it doesn't affect us in a big way, mainly because whenever there is a steel price squeeze, we get a lot of the upgradation orders means they want to remove the old furnace, which has become very lossy, because the margins are squeezed and go for a new more efficient furnace.

Apart from that, also it's more of since our market share is lower compared to, say, Electrotherm, we are getting a lot of the competitors' orders. So maybe, the overall market is little sluggish, but we are getting some good orders. Obviously, since I can't -- it is being recorded and I'm not able to share the forward-looking statements. But we have received some very good orders, bulk orders, actually very recently. So, for us, it is not affecting in a big way. But overall, you can say, yes. A bit of sluggishness is there.

Tushar Vasuja:

Okay, sir. And no order cancellation or delays or anything of that sort?

Satadri Chanda:

The cancellation doesn't happen because when somebody has invested in, almost given you advance and they have invested in the entire civil, et cetera. See, the demand is increasing gradually. Now, there has been a lot of CapEx in the last three, four, five years. So right now, mostly the larger companies are going for more aggressive expansion. But those who have already placed the orders, in fact, we've got a few greenfield project orders as well. So only, in terms of no cancellations as such.

Only thing you can say is a little bit delay in lifting. Means, if the equipment is earlier, there was more of them chasing us, for early completion of work. Now, sort of we are able to meet or whatever is the demand we are able to meet, there is no extra excessive pressure on us for lifting. That is the only change that we have seen.

Tushar Vasuja: Okay, sir. That was an opportunity. Thank you.

Satadri Chanda: Yes. Thank you.

Vinay Pandit: Thank you. We'll take the next question from Gaurav Agrawal, Nine One. Please go ahead.

Gaurav Agrawal: Sir, just to the last speaker, you were asking the question that you are gaining orders at the cost of your competition, in the induction furnace side.

Satadri Chanda: Yes.

Gaurav Agrawal: So, the competitor in question is Electrotherm here, whom you are winning orders against?

Satadri Chanda: Yes. So Electrotherm and Inductotherm also. So for example, certain clients like, say, Rashmi Steel, Rungta Mines et cetera. They were clients of some of our competitors. So, we have been able to crack that segment. And we are also seeing, since we are in the eastern part of the country, we have strengthened the east. But Electrotherm was quite strong in the western zone. Means that entire belt of Gujarat, Ahmedabad, Jalna et cetera.

However now, we have also got some good orders in those areas, because what happens, there is sort of incumbency if you have only one supplier, then over a period of time, some clients get disappointed. So, we have been able to sell our products. And now that the client is seeing the results are quite good, the energy consumption is very good, et cetera. So now, we are we are getting traction in in those areas as well.

Gaurav Agrawal: Okay. Right. So, how's the overall like demand for these induction furnaces? You gave a bit of indication of that into the previous caller.

Satadri Chanda: Yes.

Gaurav Agrawal: Let's say in the last six months, your turnover is broadly similar to what you did in March quarter. March six-month number.

Satadri Chanda: Yeah.

Gaurav Agrawal: So, yeah, if you can break up between what was the figure for induction furnaces in those six months ending March, and what was the number in these six months?

Satadri Chanda: Yes.

Gaurav Agrawal: And how do you see this full year for the induction furnace vertically?

Satadri Chanda: Yes. So, in terms of -- if you see our order book, there's not been much change. I think, our order book, since, like, last, say, six months ago, and now it is pretty much the same. So, whatever order books has been orders have been executed. And right now, the fresh orders are similar. So, our factory is running at max. Even if we get more orders, we won't be able to execute them.

Gaurav Agrawal: Okay.

Satadri Chanda: So, yes, the -- but overall, you can say that, the order book hasn't increased, compared to last financial year. Because of this, the slight sluggishness in the steel sector. But a lot of the orders, we have got a lot of orders from the other sector, like the auto sector, foundry and casting sector. So that has sort of evened it out.

Gaurav Agrawal: Okay. And so, any outlook for this year like for...

Satadri Chanda: Outlook. Yeah. So, in terms of our outlook, if we get two, three months, two months at least of production, from our new factory. Then, we could see slight increment from last year. But I would say overall two months maybe or how many transformers you'll make, that also in a new factory.

So, I wouldn't be very I'll rather say it conservatively. So, you can say that it can be at par with last year only. But of course, the backward integration will yield results for us on the bottom line. But in the coming financial year and the year next to that, there, we are going to be confident of seeing a lot of traction. So, we have targeted around ₹500 crores for the FY'27.

Gaurav Agrawal: Okay. 27 or 26, sir?

- Satadri Chanda:** 27. So 26 could be somewhere in the middle.
- Gaurav Agrawal:** Okay. Understood.
- Satadri Chanda:** Yeah.
- Gaurav Agrawal:** Understood. Is there any problem on the margin side on the induction furnaces or, 10%, 12% kind of margins are, yeah, still easy to make there?
- Satadri Chanda:** No, not margin pressure as such, because unlike fabrication, where there is a fixed steel rate and fixed labour rate, we are OEM, so we sell equipment wise prices. So that is basically, our call. If we are trying to gain a market of some customer of a competitor, then we lower the prices in certain cases. In certain cases, where there is a bulk order, we lower the prices. So that is completely in our hand.
- Gaurav Agrawal:** Okay.
- Satadri Chanda:** And one more point about the bottom line, actually, which I forgot to mention during the presentation. See, we have recruited a lot of new teams, especially sales teams, and we are doing a lot of marketing activities as well. So, whatever bottom line increase, that we are seeing now that is considering, these extra expenses that we are incurring, so that we get that ₹500 crores in two years' time.
- Gaurav Agrawal:** Yeah. Okay. Sir, any update on Electrotherm, you were looking to buy them out? Do you know their connection furnace? How are they doing? Are they out of their problems et cetera?
- Satadri Chanda:** So, I'm just waiting for the quarterly results. I think today is the Board Meeting. But I recently, I saw, I was checking there were some defaults, et cetera from some of their asset reconstruction companies. Some defaults were there. But that is basically something we have an eye on, because it is very similar field to ours. And not the steel, so their major turnover comes from the steel production. So that's not our cup of tea. We are mainly competing with their projects and engineering division. So, if certain opportunities come up, then definitely, we will be involved in that.
- Gaurav Agrawal:** Okay. Okay. Thank you so much, sir.
- Satadri Chanda:** Thank you.

- Vinay Pandit:** Thank you. We'll take the next question from Pradeep Allamsetty. Pradeep, please go ahead.
- Pradeep Allamsetty:** Yeah. Thanks for the opportunity.
- Satadri Chanda:** Hi, Pradeep.
- Pradeep Allamsetty:** Yeah, great. When I go through the Annual Report and a couple of your updates, what I observed was like, during five years, there'll be a revenue of up to 4x.
- Satadri Chanda:** Yes.
- Pradeep Allamsetty:** So that is the expectation.
- Satadri Chanda:** 3 to 4x.
- Pradeep Allamsetty:** Yes. Yes. So, on the contrary, when we look at the capacity, we are running at the full capacity and we have no room to execute the other address. So, how this both will match? Like, how will we go to that level when you're already running in a full capacity?
- Satadri Chanda:** Yes. Yes. So, the current CapEx that we have completed and it's about to complete, so with this, we can get ₹500 crores in couple of years' time. And after that, we will, basically, by the end of next financial year, we will, go for the next round of CapEx. That one will not be so much, because most of the other equipment already here. So that, to take us to ₹1,000 crore, that next level of CapEx will be to the tune of about ₹50 odd crores. And so, this is how we have planned it. So right now, ₹500 crores, to achieve ₹500 crores, the CapEx is already done. We know we will commission the factory in December, and full production, probably, we can start from February. And after those two years, that next level of CapEx will take us to ₹1,000 crores. So, this is how we have planned it. Our land is already there.
- Pradeep Allamsetty:** Okay.
- Satadri Chanda:** Around 15 acres land is there. 10 acres has been used and 5 acres is remaining.
- Pradeep Allamsetty:** Okay. Thank you.
- Satadri Chanda:** Yeah.

- Vinay Pandit:** If there are any further questions, please use the option of raise hand. We'll take one question from chat. The question is from, Mr. Bhargav Phukan. What is the contribution from top 10 customers in the revenue in percentage terms?
- Vineet Mohta:** Hi, Bhargav. So, I don't have the data right. But if you just -- if I just think about it, say, on average, 10 customers, on average, if we take, say about ₹10 crores, ₹10 crores to ₹15 crores, and 10 customers, actually, there are two, three customers, three, four customers that give that have given us large orders to the tune, say, about ₹70 crores, ₹80 crores. So, the rest of the customers will give one off. It's sort of like that. So, if you take top 10 customers, then I can say maybe out of the current ₹300 crore size, it will probably be around, say, ₹100 to, say, ₹115 crores, ₹120 crores.
- Vinay Pandit:** Okay. The second question is, what has been the induction industry scenario currently for the last few quarters?
- Satadri Chanda:** Yes. The induction scenario has been quite good, especially the steel - - railways -- sorry, not the steel, the railways, the forging, foundry, these sectors are booming. Steel has been slightly sluggish, like I mentioned. But that is not stopping greenfield expansions or the upgradation, expansions. So, for us, it has been quite good only. And our order book is quite strong. And once the transformer comes into the picture, then the order book will grow quite a bit.
- Vinay Pandit:** There's a question from Rakesh Roy. How much CapEx are we doing for the new transformer plant?
- Satadri Chanda:** For the new transformer plant, I think, during our prospectus only, it was a total of ₹20 crores to ₹25 crores. So that is almost already done. In fact, in the year end, I think the auditors will -- or I think, this half-yearly report already the auditors have issued one fund utilisation certificate.
- I think, it's there, online. So, it was about ₹20, ₹25 odd crores of CapEx. And I think another ₹5 crores of CapEx we have done for the backward integration part. So, out of the total ₹30, I think about ₹20 is public and ₹10 was our own investment.
- Vinay Pandit:** Okay. We have a follow-up question from Tushar. Tushar, you can go ahead.

- Tushar Raghatate:** Yeah. Thank you for the follow-up question.
- Satadri Chanda:** Yeah.
- Tushar Raghatate:** So, just wanted to know, you mentioned something about the Electrotherm, some acquisition part, which I missed. Can you please explain that? Yes.
- Satadri Chanda:** Actually, we were hearing in, maybe six, seven months ago that, there was an NCLT case was filed by one of the creditors. But it seems that the it was -- so that time we were like looking for -- if there was an opportunity to do some kind of acquisition that would be, I mean, good for us. But I think it was later on; I found that it was settled. But again, very recently, in the NSE and platforms, they have, we saw a couple of notifications, where the default again, has taken place on the same. So that is basically something we are keeping our eye out for.
- Tushar Raghatate:** Got it, sir. So, the guidance of the ₹1,000 crore, that doesn't include any of those acquisition. Right? It's totally organic sales.
- Satadri Chanda:** No. Don't take that acquisition as anything. That if some opportunity comes up, then we'll think about it. It's not a concrete or anything of that sort.
- Tushar Raghatate:** Correct, sir. Thank you for the clarification.
- Satadri Chanda:** Yeah.
- Tushar Raghatate:** All the best, sir.
- Satadri Chanda:** Thank you.
- Vinay Pandit:** Thank you. We'll take that as the last question for the day. Satadri, would you like to give any closing comments?
- Satadri Chanda:** Yes. So, thank you for joining and we are quite hopeful of and quite confident of getting to the ₹500 crore first. And then after that, in another two, three years' time to get to the ₹1,000 crore. And the market size that we are catering to both in India and as well as abroad, it's quite large and it is a growing market. And it is more of adding the capacities and trying out just developing these new products and exploring the market. And with the current team that we have, the sales team, the engineering team, we are quite confident that we will

be able to get to those targets. And we are a hardcore engineering company.

So, it's not like, although it's in the SME segment. But from our factory and our infrastructure, if you ever get a time to visit, you will see that it's not the complications and everything is like a largest company only. So, we are there in the market for quite some time and we'll remain in the market. So, you can confidently invest in Megatherm for a good returns over a medium to long period of time.

Vinay Pandit: Sure. Thank you, Satadri.

Satadri Chanda: Yeah.

Vinay Pandit: Thank you to all the participants and the management team for joining us on this call. This brings us to the end of today's conference call. Thank you so much.

Vineet Mohta: Thank you.

Satadri Chanda: Thank you.