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MOLD-TEK Technologies Limited

MTTL/SECT/047/2023-24 **Date: 3rd August, 2023**

The Secretary, Listing Department, **BSE Ltd.,** Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001. **Scrip Code: 526263**	The Manager, Listing Department, **National Stock Exchange of India Limited,** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051. **Symbol: MOLDTECH - EQ**

Sir/Madam,

Sub: Transcripts/Outcome of Analysts/Investors Conference Call for discussing the Un-Audited Financial Results (Standalone and Consolidated) of the Company for the first quarter ended on 30th June, 2023 and other Business Updates.

Ref: Regulation 30(6) of SEBI (LODR) Regulations, 2015.

This has reference to our letter dated 27th July, 2023 where-in the Company has given intimation to the exchange(s) about the schedule of the Analyst/Investors conference call of the company for discussing the financial results of the Company for the First Quarter ended on 30th June, 2023 on Tuesday, the 1st day of August, 2023 at 11:00 a.m. (IST).

In this regard, pursuant to the requirement of Regulation 30(6) read with Para A of Part A of Schedule-III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcripts of the Analyst/Investors conference call of the company and the same has been uploaded on the website of the Company at:

https://www.moldtekengineering.com/investors.html

Thanking you,

For Mold-Tek Technologies Limited

THAKUR VIKRAM SINGH

Digitally signed by THAKUR VIKRAM SINGH
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Thakur Vikram Singh
Company Secretary & Compliance Officer

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"Mold-Tek Technologies Limited Q1 FY24 Conference Call"

August 01, 2023

MANAGEMENT: **MR. LAKSHMANA RAO JANUMAHANTI, CHAIRMAN AND MANAGING DIRECTOR – MOLD-TEK TECHNOLOGIES LIMITED**

MODERATOR: **MR. JENISH KARIA - ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Mold-Tek Technologies Limited 1Q FY24 Conference Call hosted by Antique Stock Broking.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jenish Karia from Antique Stock Broking. Thank you, and over to you, sir.

Jenish Karia: Thank you, Ziko. Warm welcome to all the participants for the Q1 FY '24 Conference Call of Mold-Tek Technologies. From the Management, we have Mr. J. Laxman Rao – Chairman and Managing Director of the Company and the Finance team.

I would now like to hand over the call to Mr. J. Laxman Rao and post which we will open the floor for Q&A session. Thank you, and over to you, sir.

J. Laxman Rao: Good morning, Jenish and all the participants and thanks for your interest in joining our first conference call of Mold-Tek Technologies Limited.

I am glad to inform you that we have very robust growth in the Q1. The sales are up by 35% and profit after tax is up by 103%. EBITDA has grown 86% and the overall outlook is much better now because especially our growing area Mechanical Engineering Services, we have started with a good opening of project flow.

Typically, our project flow starts towards the end of the first quarter of US, that is Jan-March ending. All the new projects are generally initiated at this stage and they start picking up pace from April onwards and by second quarter, that is July to, I would say, till Jan or even up to March, there will be progressive delivery and progressive invoicing in our company. So, that's why the Q1 tend to be the starting of the busy season, but Q2 to Q4 in our Indian FY, the invoicing improves and the numbers also sell.

So, I am glad to inform you the beginning is good. As of today, the work on hand for MES has shot up from 200k last year to 1.1 million. That's four to four-and-a-half times, and we anticipate the accumulative increase in the project flow in MES because we also entered into Press Tools designing and drafting services and the pilot projects are going on with couple of clients, and hopefully in few quarters, that will emerge as another new segment of business and revenues. So, that is how the MES is shaping up. And on the Civil side also, we have a strong order book. So, from Q2 onwards, the numbers will further improve is our hope.

And in the field of acquisition, we are still looking at couple of options, but we are very keen to have companies who will continue to work with us, the management, and very few such opportunities are coming, but we are patiently waiting for a proper target. Once we have that, we wish to improve, and move into structural designing and architectural services where we have much better value add.

So, that is the background of Q1 and the beginning of Q2. I would now rather take more question and answers so that we can have a meaningful discussion. Over back to the moderator.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Devesh Shrimali from DS Investment. Please go ahead, sir.

Devesh Shrimali: Just a couple of broad questions around how do you see the opportunity size in terms of the key market or the segments we focus? And what percentage do you see getting offshore? And if we connect this to our aspiration that what sort of market share out here we want to be, how do you see basically two, three years outlook from here? That would be my first one.

J. Laxman Rao: You want to continue or you want me to answer this?

Devesh Shrimali: Yes, if you could please answer this, then I will ask one.

J. Laxman Rao: The outlook for the next two, three years is very good because we are not only established ourselves as a player in BIW services for Tier-1 clients, our clientele is now increasing. See, like any engineering, for example, even in civil, it will take five to eight years for any company to establish its credentials, setup systems, showcase the projects we have done so that you will be in the eyes of bigger players.

So, today Mold-Tek in civil has already reached that couple of years ago. Our work in civil has been well established because there are monumental buildings or structures built across United States with our detailing and connection designing inputs. So, we can refer in any city, be it airport, be it a plant, be it a Amazon warehouse or be it a 64 storied building in Chicago, we have several examples to prove ourselves and we also been given awards by some of the trade bodies in the United States in the field of civil structural engineering.

So, there over the last 10 years, because we started structural steel only from 2010 onwards after our acquisitions. So, since then it took us about 10 years to establish ourselves. Now already several projects of, you know, exemplary projects we have done including the World Trade Center when it was rebuilt, we did a part of the detailing and connection design work. So, that way we have established ourselves.

And in this field of engineering, especially civil or even automobile to that matter, your credentials, your experience matters a lot. So, today we have crossed that even in the field of mechanical engineering in mainly automobile, BIW, body in white division. We started with just 2D detailing. Today we do 2D, 3D, robotics and even simulation. So, end-to-end solution we are able to deliver for the last three, four years.

Fortunately, we got an opportunity to work for Tesla very early in 2019, '18-'19, and that has become a benchmark and now in a electrical vehicle field, we have been well valued as a experienced design company. So, as you know, there are several EV projects, lithium-ion battery plants are coming up all across Europe and the companies like FFT where we are related with are very active in the field of EV.

We have been working with FFT and VDL for the last three to five years. So, they now believe in our abilities and they see our quality improved and consistency has been very greatly acceptable to them. So, now they are calling our people over for on-site jobs and keeping our team internally to monitor the project progress. So, with these relations booming up, I see a great future ahead in the next two, three years.

Devesh Shrimali: Thank you for that detail answer. It clarifies a lot of things. So, if I can connect some similar data, so if we were to look at our last two years growth rate which has been quite good, so would it be fair to say that, you know, we will have an organic growth which is probably similar to what we have done in '23, but at the same time, we are also looking at acquisition, which will further boost our growth? How would you look at the growth quality as well? Would it be margin accretive? Or do you think we are at a very decent margin and write down, this is what we want to maintain going ahead? I am talking FY '23 level margins.

J. Laxman Rao: So, yes, FY '23 level margins will be definitely improved as our capacity utilization is improving in MES. So, of course, jumping like 105% last year in EBITDA may not be possible every year, but definitely we will be seeing a good growth in EBITDA levels even on the compared to the '22-'23 figures. We started with a good bang today with the EBITDA growing at 86%. That is up from, it was around 18% in Q1 last year is up to 27% now from 5.31 crores to 9.85 crores is the jump. That's about Q1 growth is 86% in the EBITDA. So, probably even reaching a 40% to 50% overall EBITDA is what we are targeting for the current financial year over compared to last year.

Devesh Shrimali: That's great to hear. And my last would be, are our projects more few quarters type of visibility? Or do you have a mix of long-term contract as well as short-term? That would be my last one.

J. Laxman Rao: Yes, our projects are typically long term because none of the buildings are built in three months. And of course, we are not up to the end of the building. We are mainly in the phase of starting right from foundation till the end of the main structure. That is called steel structure. So, our job starts right from their foundation, design, and foundation construction happens by them. None of the works we are involved. No supervisionary or no site visits. But our team in USA place in Atlanta, they interact with the project managers and direction contractors of the buildings in USA and they clarify on-site clarifications and rarely they visit also.

But moving into structural designing and architectural, our relations with the general contractors who are the top end of the civil spectrum would increase. So, going forward, this will be the target for Mold-Tek. Through a proper acquisition of a architectural cum structural designing company, we will be directly dealing with the general contractors and take the end-to-end responsibility of the project design, project architectures and even detailing, 3D and 2D detailing. Currently, we are only in 2D and 3D and little bit of connection design, but our connection design is now well established. We have professional engineers in all the states able to, almost all the states for stamping the designs, which is very essential for the construction industry in USA.

So, now with these credentials, we have to build up our credentials in design and architectural. That is through only inorganic means it's better because otherwise, we have to struggle again another 8 to 10 years to establish our name in designing and architectural services. So, we are keenly looking at the acquisition of a designing and architectural firm. We are looking at two, three options closely, but I am very particular about having a proper fit, especially the promoters of that company should continue with us for at least a period of five to six years because there, the credentials are always linked with the core team of the engineering. So, that is where we need to build up. Otherwise, it will take several years for us to establish. So, having started the designing for connection designs for the last three years, I know it will take another five, six years. By inorganically acquiring a company, we will be quickly bridging that gap. So, that is a way of growth in the field of civil.

Coming to mechanical, right from BIW, now our relations with the Tier-1 clients like FFT or VDL or Gestamp are improving now. All these people are into different fields of Automotive. Not necessarily body in white. Interiors, exteriors, wiring harnesses, stamping dies. All these areas also we are now able to interact and start doing the pilots. So, these pilots, once proved, there will be more and more opportunities to work with them in other fields and diversify our service range. So, that can phenomenally bring improvement if we succeed in taking those opportunities.

Moderator: Thank you. Our next question is from the line of Prolin from Gold Fish. Please go ahead with your question, sir.

Prolin: Thank you for conducting this call for the first time. It gives us some insight about your company. Now, I have a few questions on your core division, which is Civil and Structural Engineering. So, just from the point of view of demand landscape, can you help us understand where is the majority of demand coming from? Is it from residential, commercial or industrial construction? And then within competitive landscape, can you help us understand what is the advantage of Indian detailers? Is it this low cost? Or is it something else as well? And within that, where does Mold-Tek stand? Because there are many Indian detailers which we found out, right, I mean, during our research. So, can you help us understand what is the advantage that Mold-Tek has versus some of these peers within, who are based out of India?

And you have also in the press release mentioned that we are moving up the value chain in terms of fixed team billing, right, and moving into Tier-1 client and our hourly rates are also increasing. So, can you help us understand as to, I mean, what does this fixed team billing actually means? And what does it mean for our profitability? What does this mean for our margins? And the last question for this segment would be in this whole, I mean, within the connection and member design capabilities as you mentioned that you are now present in all state, so what percentage of revenue comes from this segment compared to our skills in maybe steel detailing? Are our skills in connection and member design also now at par and established? And is this a slightly higher margin business? So, yes, these are the questions more on your first, on your course segment.

J. Laxman Rao: Yes, we are not in residential. The majority of our buildings are fixity, I mean, commercial and industrial buildings including airports, including stadia, including multistoried high-rise buildings. It could be sometimes residential, but the majority are commercial, warehouses, airports. So, any huge construction activity, now we are moving more and more into bigger projects.

The projects earlier we were doing are hardly three to seven or eight storied. Currently, we are even handling 60 storied buildings, huge warehouses of Amazon or airports for some of the expansion projects of airports. So, we have moved from day-to-day Mom and Pop projects to very high-end industrial and commercial buildings. Even industrial plants we provide structural detailing and connection design.

Coming to your second question of fixity margins, yes, fixity margins are better because we charge $3,000 to $3,500 dollars per head per person and the utilization of those persons will be provided through our iSupport media, which we have developed in-house. So, the client feels comfortable. He knows how his resources are occupied with, when they can load further work. So, that way, they will be happy and we are happy because we have a fixed revenue on the whole bench and the profit margins are there to, EBITDA margins are to the tune of 50%. So, we wish to have more and more fixative team assignments which we are gradually improving. Currently, it's contributing around 10% to 12% of our revenues and we are aiming at growing that to 15% to 20%. That is your second question.

Coming back to your value chain, that is what I was talking to you. We want to move from low end detailing to higher end member design. Connection design means how do you connect the members. The member design itself is high-end and that member design cannot be outsourced unless there is a PE stamping the drawings calculations. Stamping means the production engineer certified by the Board of American Structural Society or whatever it is. They are only, like, say, your Chartered Accountants here in India or our so-called structure licensed engineers who need to stamp the drawings for a municipality or a city corporation.

There it is much stricter. There is a professional engineer who has to study several years of engineering and practice and write examinations to pass and then only he is authorized to stamp the drawings. So, we have onboard the two piece of American origin. One of them is an Indian citizen. He returned back to India and working in our Hyderabad office. One of them is an American living in USA. So, these two people almost cover the majority of the stamping requirements of 50 states of USA.

Every State Board has its own PE clarification, I mean, licensing. Even if you have passed the PE exam, you have to again take or fulfill some obligations at different state levels and then only you are authorized to sign and seal the drawings. So, that level of revenue stream or the cost for such kind of services is at least more than 100% of what currently we are charging. Let's say, we are charging $25, $28 or $30 at the most in detailing, we can aim at $60 to $100 in design, member design.

But currently, we are not doing member design. We are doing member connection design. That means how the members have to be connected at every corner or every joint. That itself is fetching us more than 50% EBITDA like fixative. That is a, I would rather say little better than fixative this year and there, our turnover as of today is hardly half a million. That is around constituting less than 3% of our top line, but we are focusing on that.

This, here again, people don't just take you for granted just because you have a big team, but they will look at your previous background, previous connection design work where you have done and what are the buildings and take the referrals and then they take a chance to come in. Why should they come in? Because in the US they pay $120 an hour. So, it's better to pay $60 to $80 an hour to Indian professional engineers who are authorized and able to stamp it. So, the cost arbitrage is so encouraging for them to try our services and we have now started this two, three years ago.

Today, I am glad to say, it has come to a sizable revenue stream, but it has several potential to grow several times. So, maybe 10 times or 100 times in the next few years, but it all takes a proper way to approach the market, gain the conference of the architects and sectoral engineering, I mean, general contractors through a proper execution of variety of projects or through an acquisition.

So, our game plan, our business plan is to go through an acquisition of a established design firm which may also have architectural services so that we are directly jumping two steps of the value chain and deal directly with the general contractors who are the major decision makers and who we can give right from architectural, if they like it, otherwise, at least from structural till detailing outsourcing and in the process, they are also saving costs. So, this is the game plan we are in and as I told you, the 10 years or 11 years of our credentials are helping us to ramp up little faster than what it otherwise would take, but an acquisition can really make it really fast, like you save at least five to seven years.

Prolin: That's very clear. Just one follow-up question would be, can you help us understand what is the order book in your core division, I mean, in your first division or, I mean, at least in terms of year-on-year growth or quarter-on-quarter growth, any number that you want to share in your civil and structure design segment, what is the order book looking like right now?

J. Laxman Rao: Order book is around $4.1 million as on today. That is about a quarter work for us. If you look at last year, we did about 12.5 to 13 million per annum for the full year, civil. So, 13 million we did. Now our order book is around $4.1 million as on today. That is more than 30% above our average order book, but in the mechanical side, there is a spurt from 200k last year this time, it is around 1.1 million, and we hope mechanical will start adding numbers like last year from the

Q2, Q3 onwards because typically, there the invoicing happens only after some benchmarks. So, projects are coming in time, but their execution and delivery generally, typically starts after three months. So, we hope the invoicing will pick up from Q2 onwards and peak in Q3 and Q4 like it happened last year.

Moderator: Thank you. Our next question is from the line of Abhi Jain from Grow Capital. Please go ahead.

Abhi Jain: I just wanted to understand in terms of clientele, how much handle do you have in terms of, you know, sourcing your work? Or how do you source your work in terms of civil engineering? Is it the subcontractor that you liaison with? Or is it the design engineer that you liaison with? And in terms of your repeat clientele, is it majorly, you know, what is the split between government or state government's work versus professional work like Amazon or others? So, I just wanted to get a sense of that.

J. Laxman Rao: We are completely working with private projects. Sometimes the private contractors may get government work like University buildings or some buildings for the state, but our dealing is always with the private parties. We never dealt with the government directly.

Coming to your repeat clients, yes, we have several repeat clients and we keep adding new clients, and most of our repeat clients are the base who give good reference about our company when a new fabricator is to use our work. In detailing, our main contact point is fabricator. See, this is what I want all of you to understand that at present we are almost at the bottom of the pyramid. Maybe the second step is connection design. That we have started two, three years ago, which is giving us credibility and a respect among the architects and structural engineers who deal for the GC. GC means general contractor.

So, once we ourselves become a structural engineer and architect, we will be directly rubbing our shoulders with the general contractors who are the major decision makers and then we can not only get the structural and architectural work from them, we can ourselves decide we are the detailing company for them and we can even charge them higher rates. So, this is very crucial stage of the company, I would say, and if we take proper steps in the next couple of years, things can be really good.

Abhi Jain: And I just wanted to congratulate you on segregating the CEO position and appointing a full-time CEO. So, congratulations on that. I think it's a very professional move from your side and thank you so much.

Moderator: Thank you. Our next question is from the line of Mr. Naveen from NS Capital. Please go ahead.

Naveen: On the MES side, sir, just wanted to understand if we are fully tied to just automobile sector or do we have exposure to any other sectors like utilities, power etc.?

J. Laxman Rao: Yes, we are into power and utilities, exactly, you mentioned it. We are in poles and transmission tower design and there also revenues are around 1.2, 1.3 million. Out of the 5.5 million we did last year, around 20%, 25% of our revenues are coming from poles and power structure utility, utility structures. And we are now entering in stamping dyes and tools and wire harnesses and looking at other areas of automobile, mainly automobile because our contacts are well established with automobile and with the EV vehicles happening and several new models have been brought in, there is expected to be huge demands for automobile services in the next three to five years.

Naveen: On the civil side, sir, very quickly, where do you see traction locally, sir? Is it warehousing? Or is it data centers?

J. Laxman Rao: Oh, yes, it's happening in warehouses, Data centers, high-rise buildings in USA and even schools and some infrastructure projects of the government which are, of course, executed by private parties are also on the increase. So, in spite of the so-called recession talk, we are not finding any reduction in the flow of work. Rather they are improving by around 20%, 25% in civil as per our estimate. So, we are intact with our targets.

Naveen: One last thing, sir. Your leadership in both packaging and technologies have been very inspiring. How do you intend to split your time going forward, sir? Will the next generation take care of packaging and you will be more involved in technologies going forward? If you could share some light on that, that would be helpful, sir.

J. Laxman Rao: Yes, I am fortunate that all our second-generation people are actively involved in both the companies. You all know that they are very well educated. My son is from IIT Lucknow. My daughter-in-law is from Symbiosis. My son-in-law also is from Symbiosis. My daughter is a Chartered Accountant. So, all these people are now currently involved. While three of them are involved in Mold-Tek Packaging in marketing and finance area, my son-in-law who is an ex-Microsoft employee, is active in business development in MTTL. So, currently with Prasad being the head of operations now, I have hardly two, three, I mean, three, four days in a month to spare for the Mold-Tek Technologies in framing the vision and framing the targets and monitoring the quality aspects because Prasad sits in Atlanta. So, I monitor through once we and the core team of people here on a monthly two, three times through MRM and PRM reviews and setting the annual target, some direction. My time in technology is broadly about 20%. My time is still **(Inaudible) 29:57** happening.

Naveen: Final question on the MES side, sir. Are we competing with the likes of KPIT, AxisCades, Tech Mahindra? Or we are not in that space at all?

J. Laxman Rao: No, no, AxisCades and KPIT are definitely at our level. Onward Technologies is also, but not maybe TCS and Tech Mahindra. They are much bigger in size and wider in their service offering, but we are a niche player. We, unlike none of these names you mentioned are in engineering. All three of them are mechanical and aerospace and other areas, whereas our specialty as a niche player is more in engineering. There is no listed company in our space of civil structural designing or detailing. There are quite a few, I would say, five or six decently known detailing companies, privately held. Size, one of them are as big as our team or maybe a little less than our team and several others are not even half of our size.

Moderator: Thank you. Our next question is from the line of Dolly Chaudhary from Niveshaay Investment Advisors. Please go ahead.

Dolly Chaudhary: I had a few questions. Sir, first of all, you also guided that the Mechanical Division will be growing further. So, I wanted to know the revenue mix that we can expect in upcoming quarters from both the division? Like, what will be the ratio of civil, mechanical division?

J. Laxman Rao: It is still in the same ratio. It was in line with what it was in Q1. This quarter also, the growth is mainly due to civil, but going forward, because of the improved work on hand for mechanical, Q2 onwards, the numbers of percentage of MES might increase better than last year and might end up better than last year.

Dolly Chaudhary: And sir, I wanted to know the sustainable margin guidance for the same quarters for both the division separately?

J. Laxman Rao: Sustainable margins or improvement of the margins is purely market driven, but as far as our current market situation is concerned, both the divisions are having better than last year's work on hand and especially our concern area is MES because last year it was so good, but we were little concerned how it will start, but it started well this year too. And as I mentioned in my press note, our invoicing starts picking up after the second, third month of receiving the projects. So, the billing of MES also will improve from the second quarter like last year and going forward, performance should be better than what it is in this Q1.

Dolly Chaudhary: And sir, what is the approximate execution period for the Mechanical division for the orders we have received?

J. Laxman Rao: See, in the Mechanical division, poles and transmission towers are very fast. Within a month we typically complete a project. Maximum two months. But in the case of BIW, it can be sometimes if it is only a 2D work, it can be a month or two, but nowadays we are taking end-to-end projects where they spread around six to eight months depending upon the input movement from the clients, but not less than five months in any case. Sometimes due to delays or clarifications or correction, rework, this stretch it even up to seven, eight months.

Moderator: Thank you. Our next question is from the line of Deepak Poddar with Sapphire Capital. Please go ahead.

Deepak Poddar: So, I have got two questions. First of all, I just wanted to understand, is there any other industry also we are like trying to cater to apart from the industry we are currently catering? And secondly, clarification. You mentioned we are looking at an EBITDA growth of 40%, 50%. So, is it absolute EBITDA or the margins you are talking about?

J. Laxman Rao: Yes, the other line where we are active is SPMs, special purpose machines. We already have a small team working on that and other area we wish to enter is embedded electronics, but there we are yet to start at beginning because our hands are full with wire harnesses and press tools, which is simply the recently big domain and SPM is area where we already have a team. Bus bodybuilding is another area we have done few projects. So, that is the other lines rather than civil and I mean, automobile.

Coming to your question on EBITDA, what I am thinking is, in the absolute numbers, we used to achieve at least 40% growth in EBITDA. Last year it was around 43 crores. This time we wish to see reaching around 60 crores is the internal margin.

Deepak Poddar: Can you just repeat that?

J. Laxman Rao: Last year the EBITDA for the full year was around 43 crores. So, we have an internal target to reach close to 60 or at least 55 to 60 crores EBITDA in the current financial year.

Moderator: Thank you. Our next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: My first question is on your hiring. We hired around 115 people. So, if you can talk about what is their current utilization? What is the current attrition rate in the industry given there is a very big demand? And also, if you can talk about for the full year, this year and for next year, what kind of number of people we are looking to hire?

J. Laxman Rao: See, yes, we hired a record number of 115 trainee engineers this year because we foresee in all our areas, there could be a growth, and we also find our internally trained and groomed managers are performing better both in terms of quality and attitude and engineering depth. So, we found people who are coming from outside competitors, I mean, with all respect meant to be missing in one of those attitude or quality consciousness or productivity.

So, our team is more and more believing that our internal training is now very strong. Both we have in MES is also we are taking a general manager for training recently, while in civil we have the team for last four or five years. So, our internal training has now become pretty strong. We have extraordinary examples, even 3D models, 3D printed models and other things will teach our Indian engineers how to handle American projects and American construction standards, which is never taught in schools.

So, we are also putting a learning management system in place, which will enable the knowledge transfer across the people from seniors to juniors and these initiatives should reduce one is our cost of manpower and because all these people are under future managers, they also have a good, what you call, career path and might make them stick to us better. Of course, we still have nutrition at par with the industry somewhere around 14% to 15%. That happens because this is a niche skill. Especially in the field of MES, simulation and robotic knowledge is very limited and there also, again, we started at internal training of a batch of 20 people and within a year, we are seeing them able to handle at least reasonably complex projects. So, going forward also, we will be investing on at least 100 to 200 resources, 150 resource per annum depending upon the workflow and new lines of operations.

Aman Vij: Sir, you missed the utilization of these 115 people. When do you expect the full utilization? What is the current utilization you are seeing of this new hiring, new hired people?

J. Laxman Rao: See, new hired people in the year one will hardly contribute anything because even if they are ready, our people are very, very careful about involving them in direct projects. They will be doing mainly the leftover work or corrections work which comes back from the client and they get a feel of the project. They get a feel of where to interfere or where to take the help of seniors because the work what we do is very, I mean, important. Any mistake in that can result in thousands of dollars of lost fabricators and it can even come back as a back shot to us. So, we generally in the year one don't consider any output from them. Six months at least zero or maybe the second half we consider around 20%, 25% output from them. So, that is typically the case.

Aman Vij: The next question is, if you can talk about, so you have talked about we have shortlisted say two, three companies for the acquisition and we are looking at a member design and member connection design, these areas. So, these, the two, three acquisition candidates, are these small companies like maybe under $10 million where we are only acquiring them so that we get access to customers? Or are they companies which are much bigger maybe of our size or maybe a little lower than our size where we are also looking to get a lot of trained employees? If you can talk about this part?

J. Laxman Rao: No, we are open, but there is no need to acquire huge companies beyond our own size. We want to take a path which will enable us to grow by creating Indian engineers who will be able to handle that work at a much lower price. So, there is no point in acquiring a 100 member design company there and then finding work for itself might become a problem. So, anything between 10 to 30 employees size which will fall in the typically 5 to 10 million bracket is what we are aiming at.

And as you know, we are a cash rich company, completely term loan free, working capital free and we would rather have more than 30 crores cash on hand. So, that will be used mainly to acquire the company or companies whatever because most of these structural engineering and architectural firms are regional specific, like somebody in Florida will take care of companies in that part. Company in Atlanta would be doing most of the architectural structural work in that area. So, by acquiring one or two companies, then either we set up offices in different cities or make some JVs or other acquisition, I mean, relations so that we spread across the country. That is the other game plan.

So, the acquisition typically can be sometimes as small as 3 million in a small city, but we are acquiring a decently big company. It could be in the 5 to 10 million. The sweet spot is 5 to 6 million and not one acquisition. Probably will start with one and once we have a team in place and businesses started establishing, maybe making couple of more acquisitions in different cities make a better business sense.

Aman Vij: My final question is in the press release you have talked about we are expected to get 20,000 tons of orders in the coming quarter. So, if you can just help us understand, typically, this will mean how much in say rupees crore? What was the similar number last year? And also, if you can talk little bit about competitors? You highlighted very clearly that in civil, we have a clear advantage over other players, but say in MES and Automotive, there are a lot of players in India who are in listed space also who are much bigger, much more experienced than us. So, is there a particular sub-segment like maybe Robotics and any other near segment where we have a significant maybe BIW where we have a significant advantage even of bigger players compared to bigger players? I am not comparing TCS but the mid player. So, these two questions if you can answer?

J. Laxman Rao: No, no, don't get carried away by the 20,000 ton figure. The 20,000 ton figure jobs we have done several of them in the last few years. Each 20,000 ton is typically close to $1 million. So, I think when this press note was made, the meaning was that we are about to grab some two such projects. So, we have done even projects which are 30,000, 35,000 tons also. So, that is your question one.

Coming to your second question of niche area and competition, yes, there are several big players other than Mold-Tek in the field of mechanical engineering, but in the niche area of BIW and a further niche area of electrical vehicle niche BIW, we are first among them, and we have been compared even with the TATAs in some of the projects which we quote in Europe and Mexico.

Our competitors are TCS also. Tata Technologies, sorry, Tata Technologies. And similarly, even Onward and all these CSG Technologies. I don't know AxisCades whether they are in to it. They are more into CAD work, I guess, electronics and other CAD related work. They are not into neither of civil or not into BIW.

So, BIW itself is a niche area. In that there are, I would say, three or four major players. We can be considered almost at par with them. We are not compared to, let's say, Tata Technologies, Mold-Tek is very small. That's not the case because we also have about 200, 220 people. Probably Tata Technologies may have 300, 400 people. Onward might have another 200, 250 people. So, we are at par with them in size and in ability to execute.

In fact, we are first among them. I don't know whether they had done it before, but we are first people, one of the first people to do the EV platform for Tesla BIW way back in '18-'19. So, that credentials had to our, you know, marketing efforts.

Aman Vij: And you believe this BIW itself is good enough for us to scale this to say 5 to 10x?

J. Laxman Rao: No, it's not. No, it's not. We can't imagine to reach 100 million or 50 million in BIW, never. It might end up as a maximum $10 million to $15 million, 10 million to 15 million per annum kind of a segment, but that gives us an entry into the key area.

See, in BMW, what are you doing? We are doing the fixer design, the robotic design for the manufacturing lines of the automobile companies through a Tier-1 supplier. So, the Tier-1 supplier is rubbing shoulders with the automobile companies and he not only does these robotics and fixes for the online manufacturing of the car, but he will be involved in interiors, exteriors, you know, other aspects of design of automobile which we are not into. So, by working with this Tier-1, we will be able to penetrate into those fields also because the software knowledge and domain knowledge are similar.

Moderator: Thank you. Our next question is from the line of Hemant from Gen Z Advisors. Please go ahead, sir.

Hemant: My questions are answered.

Moderator: Thank you. We move to the next participant. Our next question is from the line of Pulkit Singhal from Dalmus Capital Management. Please go ahead with your question, sir.

Pulkit Singhal: Sir, the first question is on the CES itself. I mean, you are present in a very niche area of steel detailing. Help us understand in the US, I mean, how big is the steel detailing market itself annually? And how much of it is currently being done in-house by fabricators and how much is outsourced? And also like within the outsourced, like how many players are there typically? And is it largely US based or India is a larger chunk? Just trying to get a sense of that niche market.

J. Laxman Rao: I too don't have exact numbers. The whole size of structural detailing in general is around 3% of the construction cost of the building. So, if you have the number of what are the commercial buildings or industrial buildings or even high-rise buildings, schools and hospitals which would be, I will try to get the information. Probably runs into trillions of dollars. So, in that 3% to 4% would be the cost of detailing.

So, this is a huge market, but currently the US itself has majority of the chunk. The outsourced pie in my opinion would be less than 20% because as I explained during my almost one hour call, this niche area and people go with your credentials and what have you done before. So, it's like chicken and egg.

So, for anybody to establish themselves as a reliable player, one is the cost advantage you give and then try to grab some work and then, but over a period of time, you need to showcase your abilities in designing and drafting or detailing complex structures involving configuration, geographical, geometrical configurations and then you will be recognized as one of the reliable detailer. So, that typically takes a long time and majority of the companies evaporate before they reach that stage.

So, the Mom and Pop companies which started by a couple of technocrats or with a few people, they generally die within that phase. So, their leftovers are maybe 8 to 10 companies in India with average head count of, let's say, 200 on average, whereas we have more than 500 people in civil. Maybe Proteus is another private company I know which has more than 500 located in Nashik.

So, like this, there are only two, three players in India and other countries where this detailing is done is Romania and then Indonesia and Philippines to some extent. But there again, the cost of labor and engineers is much higher. So, they are also losing the advantage of whatever arbitrage and slowly it is becoming a few countries other than US. But even today, in my opinion, 75% to 80% of the detailing work is still done within USA at a higher prices because when a fabricator is using the detailing services, he would be definitely interested to save cost, but he will not forego quality and reliability at the cost of that savings. So, still majority of the work is done in US is my guess.

Pulkit Singhal: And majority of the growth when you look at it, is it coming from market growth itself or more of increasing outsourcing which is driving your revenue growth?

J. Laxman Rao: No, actually if you ask me, our growth is coming through adding new clients at a better pace than before. In civil I am talking, because our credentials are established. We have been receiving Awards of excellence in detailing from several trade bodies one after the other and that we are trying to advertise in daily construction trade industry magazines and that is in turn giving us credentials and new business from new fabricators or bigger business from our existing clients, a bigger project. So, these are the ways we are growing at present.

Market growth, I won't say it is immaterial, but if market also is in the positive side, we would be able to get bigger projects, more of them at a better price, but if the market is dampened, which is not the case as of today, if the markets dampen, probably, we have to struggle a bit and do more of like work to grab bigger projects. So, currently, we are in the, I would say, tier two, if not Tier-1 in USA. Tier-1 may be the local huge companies who have established over under, I mean, 30, 40, 50 years.

So, going in the direction of high value add is through structural designing and architecture. That is our focus now because that gives us direct contact with the GCs and when they decide, they can tell the fabricator use Mold-Tek for connection design, use them because they are our designers, they will provide the connection design, they will provide the detailing work for you. And that influences more fabricators to come and seek our services. So, that way it will be a positive step. An acquisition of structural and architectural will even enhance our current line of detailing and drafting services.

Moderator: Thank you. Our next question is from the line of Harshit Singhania from BU Research. Please go ahead.

Harshit Singhania: Thanks a lot for a detailed call and all the clarification. The question is on the mechanical side. Mechanical today is roughly around 20% of the overall price and as you said that BIW would be a larger part of it, but just wanted to check your opinion that going forward, I mean, more from three to four years' point of view, do you expect this mechanical to be a larger key given the tailwinds in the growth? And the second one is that say, we have done this for Tesla. So, are we also trying to do more work for Tesla in the coming years? And the second part is that should we look at this business from a sequential perspective or a year-on-year perspective?

My second part of the question is that should we look at this business from a Y-o-Y point of view? Because when you look at Q1 over Q4 last quarter, sequentially, there has been slight dip in the revenue, but is there lumpiness in the invoicing which creates that? But more from a year-on-year, should we expect that $25 billion, $26 billion top line in FY '24 over FY '23?

J. Laxman Rao: Yes. See, as I mentioned in our press note itself, our invoicing cycle starts typically in the Q1 but peaks up in Q3, Q4 because the completion of the project and benchmarks is essential for us to do the invoicing. Some of the clients also in turn invoice today the automobile vendors. Tier one customers, I mean, vendors built to automobile companies in a periodic manner once they reach a benchmark.

So, our benchmarking starts, initially, the projects are decided in Feb-March once the New Year is over and new budgets are created and they get the design and they get the orders in Feb-March and they in turn take a month or two to do their basic design layout and then they will be seeking partners like us to execute the designing 2D, 3D and simulation. So, that happens sometime in April, May. So, we get awards of projects in the month of April, May and gradually, they have to be executed over the next six to eight months. So, whatever happens in April, May will be executed by 5th March maximum. Sometimes they are completed by December. Some of them is overshoot into first quarter of their financial year.

So, that is why our invoicing picks up from Q2 and it peaks up in Q3 and Q4, especially in Mechanicals. In civil also, the majority of the decisions during the year-end are postponed. They are taken in the end of January kind of time frame. So, those projects which come today, an architect and structural designer, need to complete that structural designing part, architectural part, create the drawings and then send over for quotation purpose from the detailers happens in March. So, April, May onwards we get awards. Again, their billing majority start happening in the other quarters.

So, that is why cyclical. Even if you look at the last year, our lowest turnover, lowest profits were in the Q1. So, on that we have achieved 100% growth this year. I mean, for me it's a great thing start.

Harshit Singhania: And the second part, sir, the thing which I am trying to understand right now in our overall mix around 75% to 80% is the civil engineering solutions and the balance is the mechanical. Now civil in itself is growing very fast for us at around 20%, 25%, but do you think that gradually the mix will be more balanced between civil and mechanical? Or how do you envisage that?

J. Laxman Rao: Yes, if we continue to stick to only to detailing, mechanical will catch up in terms of percentage of revenues from currently 25% to maybe 30%, 40% also. But I also have a very clear-cut idea to make this acquisition to move into structural designing and architectural services, in which case even civil might grow at a higher pace.

Harshit Singhania: And one last thing from my side that our margin has seen a good increment versus pre-COVID level that we were at around 20%, 25% range to right now around 30% range. You mentioned that a lot depends on the market on how the talent environment is there and how the pricing is there. But at least from the next one to two years' point of view for basically the contracts we are winning, is it fair to assume that the market demand supply is 30% margin is something which is maintainable?

J. Laxman Rao: As I said in my previous questions, this 30% can even be improved as we progress into higher value add lines. Certainly, 30% now will become our benchmark. We wish to improve that this year by moving more into connection design and moving, executing more projects in MES. But acquisition probably, even if it happened this year, probably it can only add numbers next year onwards. So, once that happens, we move into architecture and structural, the numbers could be still better.

Moderator: Thank you. Our last question for the question-and-answer session comes from the line of Mr. Koushik Mohan from Ashika Institutional Equity. Please go ahead.

Koushik Mohan: Sir, in the call, in the previous question, you mentioned that you are looking at a targeting of 40, sorry, 55 to 60 Cr of EBITDA level. Can you just give me some light on what segment will be leaving you with this growth?

J. Laxman Rao: Both the segments. Civil is growing at at least 20%, 25% and in MES we are anticipating the growth also in the similar 30% range if some of our plans happen. So, when the top line grows at a pace of 25% to 30%, achieving, you know, 35% to 40% EBITDA is still possible because better capacity utilization happens. As I was telling last year trainees, this year trainees numbers have improved considerably, and they will also be contributing a bit of their productivity in this year. So, capacity utilization per person per month, numbers, hours per month, effective hours are also improving now gradually. So, with that, there will be definitely increase in cost of manpower, but the pace at which the top line growth may happen can improve the EBITDA in turn.

Koushik Mohan: Sir, I have a last question. I just wanted to understand the recent team that you have recruited, it will be taking around one year of training. I think, I hope that they are already six months or four to six months old. So, the output will start off from the team next year is what my assumptions are, right?

J. Laxman Rao: See, we are continuously taking people. It's not that this year the number has increased. Last year also we took around 75, 80 people and this year it's 115. So, the last year 80, 90 people would become fully productive, more or less fully productive this year and the guys who joined three, four months ago, probably they will start contributing from third quarter onwards in a 20%, 25% of their output, and then, probably, they will pick up pace from next financial year. So, like this is cyclic.

Earlier our input used to be 40 to 60 max and during COVID, actually, we stopped also. We didn't even take a single batch in 2020, I think '19-'20 or '20-'21 and maybe little bit in '21-'22, but '22-'23 we have taken considerable people and '23-'24 batch also now currently we have taken 115. So, last two years we are ramping up in anticipation of our growth in both the segments which is coming true.

Koushik Mohan: And the last one final question, sir. Any inorganic growth that you are looking into?

J. Laxman Rao: Yes. That's what I have been talking to you, that we are in the search for a proper fit in structural designing and architectural firm in USA. We are in talks with two, three of them, but we are very clear what we want and how synergies will establish. So, our search is still on and definitely hope, I sincerely hope in this year we will finalize at least one target.

Koushik Mohan: So, this will be funded through the cash that we have in our balance sheet?

J. Laxman Rao: Yes, we have enough cash and no working capital, no term loan. So, it's easy to raise the money for any required funds for execution.

Moderator: Thank you. Due to time constraint, that was the last question of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

J. Laxman Rao: I sincerely thank all the participants who have taken their time to understand our company's prospects and future. And I also thank Antique for giving this opportunity and to the moderator, support from Jenish from Antique. I thank you all and have a nice day.

Moderator: Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines.