



MTTL/SECT/68/2024-25

Date: 11th November, 2024

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: Transcript of Analysts/Investors Conference Call held on 8th November, 2024.

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

This has reference to our letter dated 4th November, 2024 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 second quarter and half year ended on 30th September, 2024 and other business updates on **Friday, the 8th day of November, 2024 at 4:00 p.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 Transcript of the Analyst/Investors conference call of the company and the same has been uploaded on “Audio-Video Recordings/Transcripts” section of the website of the Company at: <https://www.moldtekengineering.com/investors/>

Thanking you,

For Mold-Tek Technologies Limited

Thakur Vikram Singh
Company Secretary

Encl.: A/a

Mold-Tek Technologies Limited

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“Mold-Tek Technologies Limited
Q2 FY25 Earnings Conference Call”

November 08, 2024



**MANAGEMENT: MR. LAXMAN RAO J – 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 Q2 FY'25 Conference Call hosted by Antique Stock Broking. As a reminder, all participant 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 star, then zero on a touch-tone phone. Please note that this conference has been recorded. I now hand the conference over to Mr. Jenish Karia. Thank you and over to you, sir.

Jenish Karia: Thank you, Sumit. Good evening all and welcome to the 2Q FY5 Earnings Conference Call of Mold-Tek Technologies Limited. From the management, we have Mr. Laxman Rao J, CMD along with his finance team. Without further ado, I now hand over the call to Mr. Rao for his opening remarks, post which we shall open the floor for Q&A. Thank you and over to you, sir.

Laxman Rao J: Thank you, Jenish. Thank you all for showing your interest and joining in the conference call today. I'm glad to inform you that Mold-Tek Technologies Limited has given a decent set of numbers for the Q2. There are actually challenging times in terms of US elections that are happening, which generally leads to delayed decisions in terms of infrastructure projects wherein Mold-Tek is mostly involved.

However, this Q2, we have done much better than the Q1. Sales are up by around 9.7%, but the profits have jumped by 54%, profit after tax, thanks to the cost controls and improved productivity and efficiency in general. That has brought down the overall employee costs also considerably compared to Q1. The employee costs have come down from 68% to 61% of the gross sales. So this is possible due to adoption of Tekla assistive tools, which enable our people to automate some of the manual operations.

So going forward, maybe Q3 also might be a little tippet because of elections at U.S, a lot of decisions were delayed. However, we foresee that once government is formed and infrastructure projects start clearing in U.S we'll be able to garner more and more orders starting from maybe next month onwards. So now this is a basic background. Another issue I want to inform you is we have added three business development managers with past experience in engineering services.

Two of them joined and another person is joining on the 18th of this month. So thereby we are almost doubling our BD team, which will enable us to reach more and more clients and expand our product offerings across service offerings. This is the basic background. For further interaction, I would take the operator to go for question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

Chirag Kachhadiya: Hi, I have a couple of questions. So during the quarter, have you witnessed any change in the client behavior? I mean the type of work they are asking a quarterback and in Q2 particular, what change you observed? And from billing per employee point of view, what is our bill on an hourly basis with our client and on an average employee realization vis-a-vis what is the industry

standard and where we see improvement over a period of time and how are we going to improve that per employee?

Laxman Rao J: So if you are talking about the per employee revenues and costs, per employee revenue costs have increased to USD4.12 K and in the case of cost it is around 3.26 K. And in the case of mechanical engineering, the revenues are USD4.45 per revenue employee and the costs are USD2.93.

Chirag Kachhadiya: And how are we going to improve as we move ahead?

Laxman Rao J: If you notice, the company's performance is completely based on how much utilization we will be able to get in terms of work load. Because we cannot add experienced engineers when there is a surge in the work. At the same time, we cannot keep the people idle, which will impact our profitability. So this is always a game of balancing the bench along with the work order flow. But as of now, the work order flow for the last couple of months is slower. So which is going to impact maybe the Q3, but the flow once it improves in the Q3, it will be delivered in the Q4.

So it will be a kind of cyclic whenever there is a major issue like US elections or if any other issues that impact the major infrastructure projects. So as of now due to the elections in the last couple of months, the working flow is a little slower, but however, in the Q2, we have done fairly well. We improved by 9.7% over Q1 and profits have jumped by 54% because of better utilization. And now going to Q3 probably it will be a little tepid because of the slower flow in Q2, but it will ramp up once the decisions are taken and infra projects start moving. So that is what the future outlook is.

Chirag Kachhadiya: Thank you. All the very best.

Moderator: Thank you. The next question is from the line of Kiran from Knightstone Capital Management. Please go ahead.

Kiran: For MEs, are we dealing with OEMs directly?

Laxman Rao J: Yes, some of them are OEMs. Majority of them are Tier 1 suppliers to OEMs. Automobile companies, they deal through only Tier 1 suppliers.

Kiran: Okay. And for the new wire harness and press tools, are we doing it just for EVs?

Laxman Rao J: Just for?

Kiran: EV.

Laxman Rao J: European Union.

Kiran: Are we just doing it just for EVs or combustion engine as well - combustion vehicle as well?

Laxman Rao J: We have UV and combustion. No, the press tools and harnesses are for any vehicle. The wiring harness can be there for buses, EV vehicles or even for regular automobiles. So, whenever there

is an opportunity, we do it, but those opportunities as of today are very small. Compared to our overall revenues they are hardly 1%, 2%. In the area where we are now progressing slowly is SPMs, that is Special Purpose Machines where we have quite a few inquiries now. These are also small orders, USD10,000, USD20,000 dollars worth. Our main contributions in mechanical still continues to be from poles and towers and BIW Automobile.

Kiran: Okay, got it. Thank you.

Moderator: Thank you. The next question is from the line of Harshit from Premji. Please go ahead.

Harshit: Yes. A few questions. So first I think you mentioned in the press release that we have hired a few sales people in order to focus on the plant sourcing, but if you can give some more color that is it on the mechanical front or is it on the civil engineering front and how should they help in building up the revenue?

Are they based out of what would be their KRAs and what can be expected out of it and probably, there is another question. If you can help us with the employee base today, in both civil and structural and mechanical part and what is the overall revenue utilization at this point of time at which we are operating?

Laxman Rao J: Yes, I will do that. In terms of BDMs, we are planning to recruit four of them and two in mechanical and two in civil. Two mechanical engineers in BDMs have joined recently, about two weeks ago and they already started getting some RFQs and client calls wherein our people have started pitching for their projects. Another person is from civil. He is joining from 18th of this month, November.

So he will be contributing towards civil projects in both structural, steel detailing and designing. The fourth person is also a junior person. He already joined in the civil side. So effectively, two mechanical BDMs and two civil BDMs have been taken. These guys have prior travel experience to USA and Europe. They have a 10-year visa to travel to USA and they have several trips they made and contacts they have established in the US.

So adding these people will certainly enhance our visibility and client deal and hopefully, that will start yielding in better workflow in a couple of months' time. So that is the first question. Employee strength as of today is about 880 people in civil that includes almost 10% of admin and HR. So about 800 people in civil and about 225 in mechanical. You can say 1000...

Harshit: 25 say in the proper non admin bus. 25 in the proper non-admin bus.

Laxman Rao J: I am talking about the engineering side. There will be close to 2,000 people.

Harshit: Got it.

Laxman Rao J: As you said you wanted to know the utilization. Actually 1,000 people, at least they should contribute around USD24 million to the company, but currently the turnover of the company is around...

Harshit: Sorry sir your voice is not clear how much should they overall contribute?

Laxman Rao J: So last year we did 19.4 million and this year for the first half, we have done about 9.81 million. So going at this rate, we will probably be doing around USD19 to USD20 million top line. Taking at least USD25,000 to USD30,000 the capacity-wise, it is possible to do up to 30 million. So probably, we will be doing around 19 to 20 million means capacity utilization is in the range of around 65%. So, the scope for improving the utilization, that again depends upon the workflow.

Harshit: Got it. And sir if I may ask one more question that with respect to the workflow, maybe I will split it into two. When we look at the civil business today, now clearly I think this quarter, maybe election results are out so we still have a good amount of quarter left. Just referring to that comment, when you refer to Q3 being slightly weak, but I just want to understand that for us, what would be the order book scenario and with the election thing going about, how can that book start to grow faster because, I think, mechanical I understand that it is a new business. There might be pluses and minuses.

There might be some volatility in the quarters, but civil side is much more dated and we have that experience. On that end, maybe the acquisition part itself, if you can throw some light where we are in terms of any possibilities. How has been your experience in terms of vouching for few of the possible synergetic acquisitions?

Laxman Rao J: Work on hand was 2.9 million at the end of June. It is now around 2.4 million. So, there is a dip of about 20% in the civil. In the mechanical, it is almost half. It was 0.6 million at the beginning of June. End of September sorry end of June and now it is 0.25 million. So, it is certainly a little slower pace of work coming in the last 2 months, 3 months. But, it may not be the case of such a reduction in the sales, but we foresee that there could be a dip in the sales in Q3 compared to Q2.

However, as we are now quoting for some products of bigger size, things will only open up by the end of this month, November. How do we end up in the invoicing? Coming to your second question about acquisitions, yes, there are two, three active acquisitions we are discussing. We are now even open to considering architectural services acquisitions. In that direction also, one of the deals, our CEO in USA is currently negotiating.

And we are looking for a proper synergy because we are not in a hurry to just make an acquisition without a proper thought process. So, with that in mind, we are now looking at one architectural firm positively. And through them, a structural acquisition also should be made. Then, our service offerings will be right from architecture to detailing. So, whatever it is actively we are on the lookout. At least one or two are being negotiated.

Harshit: Okay, got it. Done sir, I think mostly from my side. Thanks a lot for your time and all the best.

Moderator: Thank you, Harshit. The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

- Chirag Kachhadiya:** Sir, you mentioned that we are looking for acquisitions on the architectural side. Is it similar to designing related to work? Is that understanding correct?
- Laxman Rao J:** Yes, designing and architecture go hand in glove because whenever a building is conceived or a structure is conceived architect comes in with the features and utility point of view. Structural engineer comes out with the safety and the structural strength parameters side. So, whenever a general contractor approaches to go for a new building, let it be residential, commercial or airports or infrastructure projects there will be always an architect and structural engineer.
- Together they conceive the project shape and safety. While the structural engineer is more concerned about the safety and loads and member sizes, all that. Architecture is more of utility, outlook, aesthetics those functions are taken care by architects. Once these two guys complete their drawings and designs then the fabricator or erector come into picture for whom the detailing work is required. So, we are at the third stage of engineering for civil projects. By entering into architecture and structural, we will almost come into the first rung of service offering.
- Chirag Kachhadiya:** Sir, what valuation are we ready to pay for acquisitions which are into pipeline?
- Laxman Rao J:** We are open from USD5 to USD15 million. That will be some size which we can adopt and absorb. So, we are open as low as USD5 million to as high as about USD15 million size.
- Chirag Kachhadiya:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Harshit from Premji. Please go ahead.
- Harshit:** Sir, one more thing. I was just wondering that if we have, for example, latent capacity in India in the interim periods, then does it make sense to also look at steel detailing work or opportunities that come up in India maybe say partnerships with people like APL Apollo, etc, who are the largest fabricators here. I am just trying to understand that is there a way to better utilize the resources for those lumpy periods? If you can give some of your views because in India more and more airports, etc which we see gradually will need steel detailing as a work?
- Laxman Rao J:** Yes, there are opportunities here and there, but if we get stuck with those projects, our capacities will be not available when there are bigger opportunities abroad, especially from USA where the pricing is much better. So, for a small period of lull, we cannot take and get stuck with those Indian projects where the pricing is not even half of what we get from USA. So, that is why we are keeping away from any Indian opportunities as of now.
- Harshit:** Okay. Let us say you can comment on the talent availability right now, the scenario, are the civil engineering availability adequate and maybe if I can link it that to that question that if we see growth opportunities in India and if talent availability is not a problem, then with our brand, can that be a new vertical or new segment itself? It might not be as high margin as our US business, but that will be an incremental if we don't have a supply crunch in general?
- Laxman Rao J:** No, actually, developing the civil engineers to steel detailing itself is a challenge because none of the universities provide any structural steel detailing concepts in civil engineering as of today.

Actually, now we are taking through NGOs and help of software suppliers, our own initiative to introduce and provide software learning management system LMS and we are providing the support to at least 10 to 20 engineering colleges in and around Hyderabad wherein through the help of software vendors, we are giving some free licenses to these colleges and making sure that they have been taught those software in their final year or final semesters.

So that the boys who come out of the college already have some knowledge of the relevant 3D software. In India, it is all AutoCAD is the max what a civil engineer learns and maybe a little bit of 3D software, but Tecla and SDS are the high range software that is used in steel detailing. So, none of the engineers when they pass out have any experience with this steel detailing that is unfortunately the state of affairs. So, most of the engineers we observe, they are all fresh trainees, trainees for almost 6 months to 9 months, they go through training before they become productive.

Harshit: Okay, got it. And on the acquisition part, I remember that earlier we had plans to look for in the fields of connection design etc because those again would be more related to steel detailing, but I am just wondering that now I think the good part is that we have opened up AEC also as an area where we can enter. So, just want to understand that can these both be accommodated or you plan to right now focus on AEC and maybe connection design can be taken up sometime later?

Laxman Rao J: No, connection design we have already been doing for last 4 years to 5 years. We already have an American professional engineer on board, two of them actually and a team of 15, 20 engineers working from India. But to make that connection design into member design and structural design, that is where we require an acquisition.

So, we are now opening our eyes towards architectural design also apart from structural design. So, that is where the difference is. Earlier we were only looking at structural designing firms, now we are also opening up to architectural design firms because they both deal directly with the general contractors. So, access to general contractor enhances our value chain and our positioning in the project.

Harshit: Sir, typically are there firms which do both or these would be two separate businesses itself?

Laxman Rao J: No, there are generally two different businesses. Very few companies will have both structural designing and architectural. Bigger companies will have, but bigger companies may not be ready for an acquisition. So, we have to look at a sweet spot of an architectural firm and a structural engineering firm and then merge the whole team to work as an overall service provider. So as of today, the size where we are looking at, very rarely we find a combination. Generally, we find either a structural engineering firm or an architectural firm. Combination in this size is rare.

Harshit: Okay, and right now we are in a state that whichever suits our valuation and overall, whichever comes first we are open to that rather than being very picky about whichever we want to do?

Laxman Rao J: Yes.

- Harshit:** Sir one last thing that when we look at AEC as a business, still structural engineering is something where we were looking at it, we have some experience at least from outside, but is the ability to adapt and basically back source the work in India so that we have that cost advantage which we enjoy today. Will that be possible in an AEC firm or AEC operates in a different way? If you can give some more color into the opportunity size of the AEC firms?
- Laxman Rao J:** What do you mean by AEC firm?
- Harshit:** AEC architectural engineering construction firm. You mentioned we are looking at AEC firms.
- Laxman Rao J:** Yes, architectural engineering services also in India are being reasonably paid, but not as good as what you get in USA. And having a team in USA will help us to even attract big projects in India for architectural services. And in fact architectural services are paid better than structural designing in India or detailing in India. So in case we make an acquisition of an architectural firm in USA, projects for Indian clients also can be taken because there the prices realization is better.
- Harshit:** No sir what I was asking is that if we acquire something outside, then what we used to do earlier is that we used to learn, we used to get the client connect, we used to learn the business, but ultimately the back end of the work, we used to hire engineers in India who would do typically outsource?
- Laxman Rao J:** So you mean to say can we outsource the work back to our Indian office?
- Harshit:** Yes, exactly.
- Laxman Rao J:** Yes part of the work can be. There are lot of 3D rendering, drafting support, changes in the final drawing, all this support can be done from India which can be effectively like say 40%, 50% of what is needed for architectural services in USA. So that much 40% to 50% of the work can be outsourced and it can be built up from India.
- Harshit:** Understood, sir. Okay. Thanks a lot, sir.
- Moderator:** Thank you. As this is the last question, I would now like to hand the conference over to the management for the closing comments.
- Laxman Rao J:** Thank you very much, Jenish and also thanks to all the participants who have actively participated in the conference call and immense interest in our company's operations. I'm very confident that once we make a move towards acquisition, it will take us into a much higher orbit. However, we have been very careful and cautious about selecting the correct acquisition target. There are a couple of them which are under our scanner, but the moment it happens, we'll certainly be informing through proper channels to all the investors and stock exchanges. And till then, thank you very much and goodbye. Have a nice day.
- Moderator:** On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.