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To, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Security Code : 532928	To, National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051 Trading Symbol : TRIL
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Dear Sir/Madam,

Sub: Transcript of Earning Conference Call held on 11th August, 2023

In terms of Regulation 30 and 46 read with Clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we send herewith the Transcript of the Earning Conference Call with analysts and investors held on 11th August, 2023.

Please take the same on your record.

Thanking you,

Yours faithfully,

For Transformers and Rectifiers (India) Limited

**Rakesh Kiri
Company Secretary**

T & R is one of the leading manufacturers of a wide range of transformers globally. Today T & R is second largest Transformer manufacturing company based on Capacity in India. It has capability to develop world class power, distribution, furnace and specialty transformers with world class infrastructure at three plants around the city of Ahmedabad (Gujarat, India). T & R is managed by a highly skilled and experienced team of approximately 1200 employees, who consistently ensure that each and every activity factors in an adherence to high quality benchmarks established by the organisation.

CIN No.: L33121GJ1994PLC022460

Regd. Office : Survey No. 427 P/3-4, & 431 P/1-2, Sarkhej-Bavla Highway, Moraiya, Tal.: Sanand, Dist.: Ahmedabad 382 213.
Tel.: 91 - 2717 - 661661 Fax: 91 - 2717 - 661716 E-mail: info@transformerindia.com Website: www.transformerindia.com



“Transformers & Rectifiers (India) Limited
Q1 FY2024 Earnings Conference Call”

August 11, 2023



MANAGEMENT: **MR. JITENDRA MAMTORA – CHAIRMAN – TRANSFORMERS & RECTIFIERS (INDIA) LIMITED**
MR. SATYEN MAMTORA – MANAGING DIRECTOR – TRANSFORMERS & RECTIFIERS (INDIA) LIMITED
MR. ABHISHEK SIROHIYA – SENIOR MANAGER FINANCE – TRANSFORMERS & RECTIFIERS (INDIA) LIMITED

ANALYST: **MS. KRISHNA PATEL - INVESTOR RELATIONS - ERNST & YOUNG**



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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of Transformers & Rectifiers (India) Limited. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Krishna Patel, Investor Relations at Ernst & Young. Thank you and over to you!

Krishna Patel: Thank you Yashashri and apologies for the delay. Good afternoon everyone. On behalf of the management, I am pleased to welcome you all to Transformers & Rectifiers (India) Limited earnings call to discuss the Q1 FY24 financial results. Today from the management side we have with us Mr. Jitendra Mamtara – Chairman and Mr. Satyen Mamtara - Managing Director.

Please note a copy of the disclosure is available in the investor relations section of the website as well as the stock exchange. Anything said on this call which reflects the outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risk that the company faces. Now I shall hand over the call to the Chairman for his opening remarks. Over to you Sir! Thank you.

Jitendra Mamtara: Thank you Krishna. Good afternoon everyone. We welcome you all to the earnings conference call of Transformers & Rectifiers (India) Limited to discuss the company’s performance during Q1 FY24. We concluded our Board meeting yesterday and uploaded the investor presentation on the stock exchange and website. I believe you may have got a chance to go through the same.

In the larger interest of all let me begin by providing a brief understanding on the company. I begin my journey repairing and then manufacturing transformers since 1981. It has been more than 40 years in this field. Today as I recap I am happy to have been known in the market as a preferred solution provider for quality transformers. We are one of the few companies that manufacture high rated value transformers that are 220KV, 400KV, 765KV and also 1200KV indigenously. The space dominated by limited players due to technical expertise, design, customization involved and also the restrictions of the other players to enter into this segment. Over the years the company has continually moved up the value chain by developing expertise in designing and manufacturing transformers & rectifiers. In order to optimize the operation, we have been continuously undertaking backward integration and now we manufacture majority of the key component in-house to support the quality, timely delivery and have been able to achieve better operational efficiency.



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Now let me highlight the financial performance during the quarter. The consolidated revenue from operation was at 153.36 Crores, a decline by 48% from 297.50 Crores in Q1 FY23. Q1 is usually a weak quarter as majority of the project completion takes place during the last quarter of the financial year.

During the quarter, multiple factors led to decline in the revenue:

- There was a significant built up of inventory; materials were ready for dispatch, but delivery got delayed due to non-receipt of dispatch instruction from customers, hence, we were unable to invoice those orders.
- In few instances, orders could not be dispatched and invoiced on account of delay in inspection from the customer's side.
- Some of the orders were deliberately slowed down by the company where there were delayed payments by the customer.
- During the quarter, we have not received any amount from GETCO which increased its outstanding to Rs.183 crore which impacted heavily on the deliverable of the company.

All this put together had an impact on our revenue during the quarter.

Now let me discuss in detail the GETCO matter. On July 13th this year GETCO (Gujarat Energy Transmission Corporation Limited) issued STOP DEAL (Not Black List) Notice to the company intimating that it has decided to stop dealing with the Company for the period of 3 years on the ground that Company had allegedly submitted forged Material Dispatched Clearance Certificate (MDCC) relating to 20 Transformers supplied by the Company under the ongoing contract for supply of 29 Transformers and 1 reactor to GETCO.

As per the Purchase Policy of the parent Company of GECTO i.e. GUVNL (Gujarat Urja Vikas Nigam Limited), if Stop Deal order is issued to any supplier same will be applicable to new business opportunities or where the tender is not awarded. Purchase policy of GUVNL clearly mentioned that it does not have any impact on existing contract or contract which is awarded to supplier and delivery has started under the same nor it will have any impact on outstanding receivables.

In case of the Company payment has been delayed because the transformers that are said to be supplied under the wrong documents are to be re tested. The re test of 8 transformers has



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been done successfully and the same has been dispatched under the fresh delivery Instruction (DI) given by GETCO. The balance transformers are already commissioned and are in operational in good condition. The Company expects that payment process to start by end of August 2023 or early September 2023.

Company is representing its case to GETCO management to reconsider the stop deal order and revoke the same, management is hopeful to get it revoked in near future.

Currently, the company has orders on hand to the tune of 2,149 Crores as on June 30, 2023 of which the company has received new orders of Rs.377 Crores during the quarter. Currently power transformers contribute 58% of the revenue followed by auxiliary transformers 16%, distribution transformers 14%, shunt reactors 7% and furnace transformers 5%.

Going forward, I am very optimistic with the growth potential in this segment. Globally, the demand of transformers has increased manifolds, major buyers such as Europe, USA are in short supply by 2-3 years. Big opportunity is coming in Ukraine for Indian companies like TRIL who has the potential of meeting immediate demand of the country. For transmitting energy from solar parks to the grid higher rated power transformers are required where TRIL has the necessary facility and capabilities in place. The expansion of Hydrogen energy capacity in the world brings huge opportunity for TRIL as it is one of the few companies who has the expertise to manufacture transformers. Transformers for green energy are the next generation products of TRIL. In the Indian market we are optimistic of the growth potential due to increase in demand on account of uptick in the capex cycle & government policies. We see a lot of demand coming in from railways. With higher roll out of fast speed trains, Metro's, TRIL is at an advantageous position to contribute to the demand.

With this, I conclude my remarks and now I would like to handover the call to the moderator to open the floor for questions and answers.

Moderator:

Thank you very much. We will now begin the question and answer session. We will take the first question from the line of Abhineet Anand from Emkay Global. Please go ahead.



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Abhineet Anand: First I want to understand the reason for the decline in revenue. There are four reasons being outlined in the PPT as well. One being that there has been deliberately slowdown by the company where payment delay, so if you can just breakup these four items that are there a very broad number that maybe 50 Crores or 30 Crores was due to this and some amount because of GETCO related, some because of GETCO related and some because of invoicing that will help us understand because the fall is very high right, 48% is a big number so if you can just highlight that Sir?

Abhishek Sirohiya: Firstly we mentioned that there has been built up in the inventory so if we give some clarification on that there were orders of TSTRANSCO wherein DI was not received, the inspection was completed but DI was not received besides that it was from Oil India when we got the DI during the second week of the July, it was delayed by them because there were some issues at their side which later got rectified. So the total quantum is somewhere around 50 Crores. Besides that there were other small customers where in DI received in July that was around 20 Crores. Now the major instance is due to the delay in receipt of funds from GETCO which we have not received anything during the Q4 so the amount what we expected if we consider around 100 Crores it could have enabled us to build further revenue of around 150 Crores because this has reduced my capacity to procure the material from the market and convert it into the finished goods. Besides that we manufacture around 3000 MVA of transformers during the quarter whereas the sales were around 3600 MVA manufacturing.

Abhineet Anand: 3600 was the manufacturing and the sales were how much you said?

Abhishek Sirohiya: Sales was 2019.

Abhineet Anand: This delay that you talked about deliberate delay by the company because of delayed payment how much that could have been?

Abhishek Sirohiya: That would have been around 25 to 30 Crores.

Abhineet Anand: If I understand correctly the large issue is because you have not received money from GETCO, so working capital related stuff money that is required that is where the delay would have happened, right?

Abhishek Sirohiya: Yes Sir.

Abhineet Anand: So going in this quarter now we are in Q2 FY24 right and one month has passed so what is the status now in terms of our availability of funds to procure our raw material and supply.



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Abhishek Sirohiya: Combined to the Q1 the situation has improved a bit and we see that it will be comparatively better and we will be showing some good growth. I would not be able to give any certain ratio as to what the improvement it will be, but you will see a definite growth in the Q2.

Abhineet Anand: So this growth is over last year you are saying or from Q1 of this year you are saying?

Abhishek Sirohiya: From last year as well.

Abhineet Anand: Q2 of FY23?

Abhishek Sirohiya: Yes Sir.

Abhineet Anand: Second is in the P&L good to see that the raw material cost is around 70% right in this quarter, so earlier I think for FY23 this number was somewhere around 78 to 80% so what type of raw material for the year or the present contracts that we have in hand, what type of raw material one should factor in?

Chanchal Rajora: It should be between 70 to 75% range.

Jitendra Mamtora: Abhineet one point I wanted to clarify here see because of the GETCO payment we manufactured 3600 MVA and only 2019 MVA were built so now through 3600 MVA, so last year we produced something like 5100 MVA and sold 5465 because of some pending invoices because the goods were not received by the client but against 5000 MVA we have done 3600 MVA this year so billing is only 2019, so 1600 MVA billing was yet to be made if you just see that and this will come in this quarter year.

Abhishek Sirohiya: It has been recognized as revenue up till date.

Abhineet Anand: Inflows you talked we have got 377 this is in Q1, right?

Abhishek Sirohiya: Yes.

Abhineet Anand: Any further inflows during Q2 that we have received Sir?

Abhishek Sirohiya: Yes Sir there is a substantial inflow. You might have seen the information we have published on the exchanges that we have received one of the bigger order from the power grid that was amounting around 145 Crores.

Abhishek Sirohiya: This is a single order besides that also there are certain orders we have received.



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- Abhineet Anand:** So Q2 we would have received 150 to 200 Crores already, right?
- Abhishek Sirohiya:** More than 250 Crores Sir.
- Abhineet Anand:** Thanks. Those were my questions. I will come back in the queue.
- Moderator:** Thank you. We have our next question from the line of Ajay Sharma from Maybank. Please go ahead.
- Ajay Sharma:** I am wondering basically just because we cannot receive this amount from GETCO why should it constraint your capability to manufacture, cannot you borrow and do it or because this payment may or may not come right, how are you going to resolve this?
- Jitendra Mamtora:** Ajay, see payment is to come. It is a matter of time. Because what has happened is because of their suspicion that the transformers are not of good quality they asked us to retest the transformer again and we retested and they have found the transformers which were retested, eight of them out of 20 they were found to be as exactly as per the test certificates which were given to them earlier there was no difference in it and there is one more condition that whatever transformers are going to be retested they will be considered as received only when they receive this transformer once again so that may delay the payment, but the payment of something like 67 Crores or 68 Crores of the other order are expected by the end of this month because stop deal as explained to you earlier it is a clear cut mention there that the running order has to be executed and so when the order is to be executed the payment is to be received. So there is no question of the payment not getting received in a short time.
- Ajay Sharma:** So all the eight which you already tested, when are you supposed to receive payment for that?
- Jitendra Mamtora:** We have to just check when those transformers have reached the site because they have left the factory longtime back so each individual transformer when it reaches the site 30 days after that is the payment. So 30 days from the date of receipt of the material at site the payment will be released in 30 days.
- Abhishek Sirohiya:** Besides that you also asked was not it possible to increase the borrowing and do the increase the revenue, so just to clarify that, Sir we have been having the working capital arrangement for the fund base around 178 Crores since we had achieved the turnover of around 700 Crores and it is at the same level we have achieved the turnover during last year of 1,358 Crores but we do have certain unsecured purchase bill discounting limits that we have utilized during the quarter.



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Chanchal Rajora: Coming back to your second question is about that cannot we borrow the funds we are already working on bridge financing arrangements so that whatever gap we have come up in Q1 we can recover in Q2 as you know that financing and bridge financing always takes time and the effect of that you will see in the Q2 results as well as in Q3 results.

Ajay Sharma: I think earlier you were looking at least minimum 1,500 Crores turnover for this year so are we comfortable achieving that number?

Chanchal Rajora: As of now we cannot comment on this that discussion we can address by the end of Q3 but yes considerably we will recover quite well and much, much above than the last year figures.

Ajay Sharma: GETCO as a customer like what percent of your revenue typically comes from them actually; suppose they do not reinstate you how much of the business actually gets impacted?

Chanchal Rajora: In present order book of Rs. 2150 Crores GETCO has only Rs.92 Crores order in it, so it is less than 5%.

Ajay Sharma: You have not received any queries after this incident from other customers or have you?

Chanchal Rajora: Not at all. We have got the order of Rs.150 Crores from the power grid.

Ajay Sharma: I am just wondering considering all other companies have reported very strong Q1 numbers and one incident can impact your capability so much, it is a bit worrying actually.

Chanchal Rajora: Ajay it is not the one incident basically. Look in any organization when the working capital to the extent of Rs.140 Crores to Rs.150 Crores got stuck the impact will always be there on that and as we said there are deliberately around Rs.40-50 Crores of orders we have not dispatched because we wanted to bring some kind of discipline in our customers regarding the payments. This is basically the correction exercise we started taking from this year so that we can reduce our working capital cycle. So some point of the time we may have to take a little bit of hit on the topline side, but ultimately I need to strengthen my working capital cycle and that is what we are trying to do in that way. The positive impact of these you will see in Q2 as well and more in second half of the year. I am just addressing your concern only that if the one customer's payment has got affected, so it should not get effect on my working capital cycle that is the reason we are taking these steps so that this situation does not arise in the future and these impacts you will more see in the second half of the year and I can assure you second half will be the year to remember.



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- Ajay Sharma:** I certainly hope so. Thank you so much.
- Moderator:** Thank you. We will take our next question from the line of Gunjan Kabra from Niveshaay. Please go ahead.
- Gunjan Kabra:** Thank you so much for the opportunity. Sir firstly I wanted to understand the total order book that we have of around 2,100 Crores how much execution do you expect to happen in this year, basically how much time also do you take to execute if they are the larger transformers and how much time do you also take to execute those orders for the current financial year how much time will you take?
- Chanchal Rajora:** Gunjan we expect that out of 2,100 Crores order book we have around Rs.1,400 to 1,500 Crores we will be able to execute in this year and let me tell you that we are one of the fastest delivery company so we does not take much time to produce a transformer. Our capacities are so high that we can make a transformer in less than two months' time so it would not be that much of thing that one transformer will take six months or seven months so that way we are quite hopeful that we will be able to achieve almost 60 to 70% of the order book.
- Gunjan Kabra:** I also wanted to understand from margin perspective that firstly from the GETCO case will there be any additional expenses happening in this quarter or this year due to this GETCO case and secondly what kind of EBTIDA margins do you expect to operate this year, I wanted to understand how margins actually differentiate from small transformers versus large transformers because margin profile has been quite robust for other companies over this very good cycle of transformer company so wanted to know if order execution picks up this year then what kind of margins can TRIL do?
- Jitendra Mamtora:** See distribution transformer per se will not have a bigger margin because that market is quite competitive but only advantage there is that your cash flow when you manufacture these transformers they are mainly from the private customers there is advance and then the receivable is against the dispatches, so it improves the cash flow though the margins may not be that good. Like we are almost doing something like 80% or 0.8 material to sales ratio in the distribution transformer against 0.7 in the power transformers and it cannot have any impact. GETCO case cannot have any impact on the margins or anything.
- Gunjan Kabra:** Sir what kind of margins can we expect in EBITDA on operating funds for this year?
- Jitendra Mamtora:** See it will be double figure plus no doubt about it.
- Gunjan Kabra:** Sir is the prices of CRGO steel coil increasing or is it stabilized?



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Jitendra Mamtora: The prices of the CRGO are now reduced quite a bit. Copper prices are very fluctuating, but there is a regular supply of CRGO which has also made the price competitive now. Earlier there was a concern for the manufacturing capacity of the individual companies because everybody was focused on supplying to the electrical vehicle because the steel required for electrical vehicle is easier to manufacture than the grain-oriented steel so most of the mills will never have the capacity, they focus more on the electrical steel for the electrical vehicles but now everybody has put up a separate capacity for the steel required by the electrical vehicle and now CRGO is available easily and which has also reduced the price.

Gunjan Kabra: Okay so the raw material prices are now favorable, so there is no problem for the commodity side?

Jitendra Mamtora: Except the oil, oil has gone up a bit.

Gunjan Kabra: Sir like you guided in the previous question that invoicing has not happened, so the 100 Crores from maybe GETCO and 50-70 Crores more from the other players because of delay from their side and whatever reasons were there so now this invoicing will happen in this quarter or it will take some more time and shift onto other quarters or how will it pan out and for the other customers is it now on track so how is that going?

Jitendra Mamtora: Gunjan the supply has started for GETCO for 94 Crores pending order. The supply has already started. I think we have already built something like 25 Crores of transformers this quarter. Beside that the invoices which were not done in case of Telangana and Andhra will happen now because we have started receiving the DI from them this month onwards, so that will all be dispatched in this month, whatever are pending over the manufacture transformers will be dispatched this month itself or they have already been dispatched.

Gunjan Kabra: How much is the revenue coming from renewable segment in our total portfolio?

Abhishek Sirohiya: It would be 5%.

Gunjan Kabra: 5% from renewable side.

Abhishek Sirohiya: Once the demand from the hydrogen sector will be coming it will go up to 20-25%.

Gunjan Kabra: Sir what is the peak revenue that we can do from the current existing facility, how much peak revenue can we do before we need to expand or something?



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- Jitendra Mamtora:** Gunjan the peak revenue when you are talking about at today's price level I am talking about today's raw material price and today's material to sales ratio. It can be anywhere between 2,300 to 2,600 Crores depending on the size of the transformer sales.
- Gunjan Kabra:** Like there are some transformers that you also mentioned in the beginning of around 770KV and 1200KV so wanted to understand how much revenue comes from those bigger transformers for us?
- Jitendra Mamtora:** Gunjan 1200KV was the transformer which we supply to power grid. It was for the trial purpose and we have not invoiced that as yet and they are not very sure whether they are going to continue with their project of 1150KV transmission lines or not they are not very sure of it but as far as 765KV transformers out of the present order of power grid I think 35% is of 765 KV and rest is all 400KV so it is 765KV and 400KV from power grid.
- Gunjan Kabra:** I will get back in the queue for further questions. Thank you so much and good luck to you and the team.
- Moderator:** Thank you. We have our next question from the line of Nilesh Doshi from Green Lantern Capital LLP. Please go ahead.
- Nilesh Doshi:** Yes thank you for the question, Mr. Mamtora is there any thumb rule to understand the revenue realization for MVA because you talk of 3600 to 2000 dispatch so for us if we have to understand is there any kind of thumb rule we can take?
- Jitendra Mamtora:** The distribution transformer will be something like 10 to 11 lakhs per MVA. Large 765KV transformer maybe 4.5 to 5 lakhs per MVA so it all depends on the rating of the transformer especially the MVA rating of the transformer, capacity of the transformer, so for each rating stay for 220KV, 100 MVA transformer and 500 MVA transformer there will be marked difference. 100 MVA transformer they do not increase proportionately because the raw material is not required in proportion to the MVA rating, you can predict but for each rating we can say that for 220KV transformers up to 100MVA realization will be Rs. 5.5 lakhs, for 400KV between 200 MVA and above it will be something like again Rs. 5 lakhs per MVA, up to 200 MVA but if you go to 500 MVA it will go to Rs. 4.5 lakhs to Rs. 4.75 lakhs.
- Nilesh Doshi:** 3600 MVA we produce and we dispatch around 2000 so that 1600 MVA would have been worth what value which we could not have dispatched?
- Jitendra Mamtora:** This 1600 MVA will be something like 80 to 85 Crores.



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Nilesh Doshi: The other question is on GETCO because I am still not able to capture what has gone wrong like how they can just send you a letter saying we disqualify you, of course there has to be a bilateral discussion between the supplier and the customer, so how do they operate like unilaterally without even informing you or just send you a letter saying we stop supplying so is there no relationship or there is no communication which has been always continuous between the supplier and the customer?

Jitendra Mamtora: Yes, there are issues and we do not want to discuss that at this stage. This is too early to discuss that in public. When we meet one-to-one we can discuss but not on this platform.

Nilesh Doshi: So can I assume that there was absolutely no error from our side except for maybe some wrong paper would have gone with something else?

Jitendra Mamtora: As we say that it is lapses of procedures that is what we have been interacting with them from our part and then there is no fraudulent practice which has been followed by us.

Nilesh Doshi: There was no error in terms of actual product which has gone out of our factory?

Jitendra Mamtora: They have been retested and they found all the transformers which were retested to be matching the test certificates which were already given to them in the past so they are the same, there is no difference between the test results now and the test results which were earlier carried out and given to them.

Nilesh Doshi: Second question from the order book as well as the other companies which we have been interacting in the same competitive area, the kind of order book which they are getting is phenomenally high whereas in your case we are still seeing just 300 Crores kind of run rate so are you seeing more inquiries coming also number one from domestic customers as well as what is the export potential which you have talked about, but you have not talked yet about how much you can do exports in this year, how much more you can do next year and what kind of qualification you have with customers or buyers internationally, can you just spend more time and tell us in detail what exactly and where exactly you are?

Jitendra Mamtora: Nilesh first of all I will tell you about many of the utilities, their prequalification requirement is that our transformers in three different countries or two different countries should be in operation of that rating for more than two years that is one of the condition and that we are fulfilling in almost all the cases now. Now we have participated in several tenders, overseas tenders amounting to something like Rs. 400 to Rs. 500 Crores and we are sure to get if not more at least Rs. 200 to Rs. 250 Crores of business from the tenders.

Nilesh Doshi: Just to interrupt Sir which country these are?



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Jitendra Mamtora: I do not want to disclose that name right now. It is too early to say anything about it and we do not want to disclose that also because they are all sensitive and then the local orders are flowing regularly. As you see that our order book today is Rs. 2150 Crores that is not small and out of this Rs. 2150 Crores from April 1, 2023 to today it is something like Rs. 600 Crores orders which we have received or we are participating in another Rs. 3600 Crores orders for different utilities or for the TPCP projects and our success ratio is somewhere around 20 to 22%.

Nilesh Doshi: Sir two questions again adding to this that means one is that when these kind of concentrated orders come in like we are also seeing with your competitors and this has not happened for last many, many years, this has just begun in last 6-8 months and the way it is coming in it is huge, so in a scenario like this typically we have absorbed that the manufacturers tend to get better margin because though there is a competition the demand side is huge and everybody wants it ASAP especially on the renewable side because the utilities on renewable maybe it just takes one year and one-and-a-half year to finish the project, so in that case, are you seeing the new realization which you are bidding is actually going to give you a little higher double digit margin?

Jitendra Mamtora: I mentioned this in the first question saying that material to sales ratio is now somewhere around 0.7x, which was earlier 0.77x or 0.78x so the margins have increased and then the new tenders where we are quoting are with MSR ratio of something like 0.67x to 0.68x so it is improving quite a lot and it is now comparable to the export business also. The export we do something like 0.62x to 0.65x and here now we are quoting somewhere 0.67x to 0.68x.

Nilesh Doshi: So Mamtora Sir this MSR improvement is not happening because of the cost of material going down, but it is because of the realization which we are able to take is that correct?

Jitendra Mamtora: Nilesh, see this contradiction, material prices has nothing to do with MSR ratio. MSR ratio is so material to sales ratio I am talking about so whatever are the material prices we do not bother. One point I would like to clear and you are right in a way indirectly that when the material cost reduces given the higher material to sales ratio the absolute figures will be less that is right, when the material prices reduces and everyone having the higher material to sales ratio the absolute figure may not be as much as when the material were about 30-40% higher.

Nilesh Doshi: Sir just last question, so typically these product transformers, reactors, what kind of delivery is scheduled from the nearest to the farther away?

Jitendra Mamtora: This delivery to start after eight months and will continue then for another five to six months depending on the size of the transformer and the size of the project.



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- Nilesh Doshi:** So the earliest is 8 months nothing before that, these are 8 months earliest delivery?
- Jitendra Mamtora:** See some of them like for the renew when the projects are nearing completion and they were unable to place the order for some reason those transformers will be required faster because as soon as the solar park is ready as soon as the solar starts producing they have to emit power to the grid and there the customer requirement will be faster and we are working also on reducing the throughput time of manufacturing for all this range of transformers.
- Nilesh Doshi:** Do not you think that you need to do something ASAP in terms of arranging your working capital either through loan or through maybe preferential to promoters or through QIP because you are kind in a goldmine because I was listening to one call from an MNC company who is into HVDC and transmission their analysis was that today the short supply is much bigger in the transformer space?
- Jitendra Mamtora:** Correct. You are right. Absolutely right but then we are doing that. We are working on arranging for the bridge fund before we come out with a QIP at a reasonable price. We are talking to few funds for kind of a bridging loan until such time that the prices of our sales increase.
- Nilesh Doshi:** Because Sir next 5-7 years appears to be a golden opportunity for a company to
- Jitendra Mamtora:** Not 5-7, 10 years.
- Nilesh Doshi:** That is nice and lastly can you ask E&Y to get in touch with me because we would like to meet in your person.
- Jitendra Mamtora:** Krishna is here only so Krishna will get in touch with you NileshJi.
- Nilesh Doshi:** Thank you so much Sir.
- Moderator:** Thank you. We have our next question from the line of Naitik Mohata from Sequent Investments. Please go ahead.
- Naitik Mohata:** Thank you for the opportunity Sir. So Sir I have couple of questions starting with the GETCO order so I believe we have supplied 25 transformers to GETCO and out of that they have conducted their second inspections on eight of them, so have you booked the revenue for these eight transformers or what is the kind of timeline that we see once they have inspected and then it has been installed at the site how many days it needs to be operational for us to book that revenue and secondly what would be the timeline for the other remaining 17 transformers?



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Jitendra Mamtora: They have already taken the delivery of this transformer using the fresh DI and the rest of the transformers are in operation, so it will be difficult for them to stop the supply or take the transformer off the line so it is going to take time or maybe that they may do away with the retesting of the rest of the transformer. These eight transformers which are tested are absolutely as per the test certificates were given to them earlier there is no difference there. Their view was that there may be some quality issues with the transformer and that is why the company has done this so that is set aside. Now there is no question of the quality being bad or quality not meeting the requirement or not meeting the performance parameters which were agreed upon between us and them.

Naitik Mohata: Sir basically my question is not on the quality side of our transformers basically what I am asking is out of the eight transformers that we have tested have we booked revenue for that?

Abhishek Sirohiya: We have booked revenue for all the transformers those have been supplied to them. These eight transformers were sent by them for retesting, which has been done and sent back but the revenue was booked with the perspective date.

Naitik Mohata: Receivables that are pending from GETCO?

Abhishek Sirohiya: 183 Crores.

Naitik Mohata: Exactly so those would be regarding which transformers?

Abhishek Sirohiya: NaitikJi considering the outstanding against this transformer supply besides that there is also another order which was ongoing, so the total outstanding has been held by them, but now we expect that payment should get started releasing by them within this month itself.

Naitik Mohata: Secondly I have a bookkeeping question regarding depreciation so last year in Q3FY23 we saw a depreciation jump up quite sharp and I believe the explanation from your end was that we had retrospectively put depreciation because we were booking it in one shift base and now we have shifted to three so was that a onetime result because we have seen depreciation to stay eliminating even after that?

Abhishek Sirohiya: That was a one time activity done last year and now it will remain in same line.

Naitik Mohata: So we can expect depreciation to be on this range going forward, right?

Abhishek Sirohiya: Yes Sir.



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- Naitik Mohata:** Thank you and I hope that this call is not just because this issue has happened and the management plans to continue holding such calls for investors going forward. Thank you and all the best Sir.
- Moderator:** Thank you. We have our next question from the line of Hrishit Jhaveri from Pi Square Investments. Please go ahead.
- Hrishit Jhaveri:** Sir I wanted to know what is the current capacity utilization at our plant?
- Jitendra Mamtora:** About 60-65%, again when I say 60-65% with the present throughput time of manufacturing, but we are in the process of reducing this throughput time by at least if not more by 18-20% so when we do this throughput time and with the funds available with us for working capital we can say that we will be able to increase our capacity by 18-20%.
- Hrishit Jhaveri:** Currently how much cash are we holding in our books?
- Abhishek Sirohiya:** We do not normally hold the cash; we are normally on the debt side, so the utilization is somewhere around you can say 90-92% of range.
- Hrishit Jhaveri:** You mentioned bridge fund which you are planning to bring in, on an average how much amount are we expecting that and it will be mostly used for the working capital?
- Chanchal Rajora:** Mr. Jhaveri we are looking for somewhere around Rs.100 to 150 Crores. We are in very, very advanced stages with few of the funds and most of this money is going to be used for the working capital enhancement.
- Hrishit Jhaveri:** Also promoter do you expect to get back GETCO as a customer in the next one year?
- Chanchal Rajora:** Definitely Sir.
- Jitendra Mamtora:** As I said we are representing our case and I am going to request the Chairman to allow me to present my case to the Board when the Board meeting takes place to revoke this letter and I am hopeful that the letter will be revoked because it seems to be one sided.
- Hrishit Jhaveri:** All the best for the coming year. Thank you.
- Moderator:** Thank you. We will take our next question from the line of Vikash Kedia an investor. Please go ahead.
- Vikash Kedia:** Hi thank you for the opportunity. So are we taking any capex at this point in time if so how much is that and as you mentioned that there is some less improvement on the cycle?



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- Abhishek Sirohiya:** We are planning for a capex, but it will take some three to four months because we have delayed this plan looking towards the current cash flow issues so the capex plan will cater the requirement for the industry specific transformers which we are anticipating that lot of demand is coming forward in the near future.
- Vikash Kedia:** The other question was with respect to GETCO again Rs. 183 Crores is your spending and there is 29 transformers plus one rectifier which was part of the order when the inspection was done and then there are Rs. 92 Crores of the subsequent orders I believe that is a fair thinking?
- Jitendra Mamtora:** All these pending orders today which was to the tune of 230 Crores.
- Abhishek Sirohiya:** The issue that was escalated is highlighted is against the order which was worthy around 230 Crores which included 29 transformers and one reactor wherein supply is yet pending for around 30 odd Crores, besides that we have another order as well for the smaller transformers which is again into execution but dispatches are kept on hold with respect to this issue but now we have resumed the supply. We have started the inspection process; payment also is pending just for a formal approval from their management.
- Vikash Kedia:** Thank you so much.
- Moderator:** Thank you. We have our next question from the line of Sriram R an investor. Please go ahead.
- Sriram R:** Thank you for the opportunity. In slide No 8 you have given that you have 160KV and above distribution transformer segment so what about lower rated distribution transformers?
- Jitendra Mamtora:** We do not make anything below 160KV we are not into that segment.
- Sriram R:** Any particular reason?
- Jitendra Mamtora:** These are called, Rural Electrification Corporation range of transformers, they range from 5KV to 160KV and then there are some many players in the unorganized sector that it is difficult to compete with them and we do not want to get into that.
- Sriram R:** So basically this 5KV to 160KV is the requirement of us but that is not the case with industry player?
- Jitendra Mamtora:** They are all mainly from the unorganized sector, most of them are from unorganized, except for Toshiba and one in the organized sector they are doing well but beside that they



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are all small players, maybe in area of 1000 square meter they are working and they are doing good, but we do not want to get into that kind of transformers at all.

Sriram R: I am trying to understand what is the used case for this 5 to 160KV you mentioned we have got REC range?

Jitendra Mamtora: They are for the villages, Rural Electrification Corporation they are called REC range so these are the transformers which have been formulated or specified by the REC Rural Electrification Corporation as far as the technical specifications are concerned. Their manufacturing is totally a different kind of thing. You manufacture like 300 to 400 transformers in a day. We are never in that range of transformers and we cannot go for that kind of manufacturing facility. See if you want to get into that you need to have a different kind of mindset and different kind of facility our facility will not work there. it is like a conveyor belt people who manufacture this many transformers in the organized sector they are just like on conveyor belt like a car manufacturing and then we do not want to get into that. It is very different for us.

Sriram R: So the private players let us say cement or steel so they do not use 5 to 160KV is it. The private players in those plants they do not use 5 to 160KV?

Jitendra Mamtora: These are for rural like agriculture, irrigation purposes and all that, not for anything else.

Sriram R: Understood. Thank you.

Moderator: Thank you. We have our next question from the line of Praful, an individual investor. Please go ahead.

Praful: Thank you for the opportunity. Sir I would like to understand in the current order book how much percent of it is domestic and how much of it is in exports and how do you expect this split after like one year after this financial year?

Abhishek Sirohiya: Sir the domestic is around 95% and export is around 5% as of now. Moving forward we understand that export will be in the range of 15-20%.

Praful: On the export side what kind of transformers orders you are seeing like power transformers or distribution?

Jitendra Mamtora: See there will be mainly the power transformers and the industrial transformers like furnace transformers for electrical furnaces what we call electrical arc furnace and also for the rectifiers which are used for electrolysis processes like metal refining, etc., and making



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some kind of chemicals also where electrolysis processes is required so they are called rectifier transformers. Rectifier transformers and arc furnace transformers and also power transformers, we are in touch with several utility for supplying the arc furnace transformers. We have got registered also in several of the utilities so enquiries have started coming in and it is a matter of time before we start getting the orders from them.

Praful: Sir could you elaborate on the delay in customer inspection and like what measures are you taking to ensure smoother inspection process?

Jitendra Mamtora Praful it is not in our hand because what happens is when we place the order they have some plans and because of the paucity of the funds the project gets delayed and when the project gets delayed the sites are not ready so they do not want to leave the transformer because if they leave the transformer they have to store the transformer then the payment will become also due so that will not look good on them so they avoid coming for the inspection purposely.

Praful: Got it. Thank you.

Moderator: Thank you. We will take the last question from the line of Naitik Mohata from Sequent Investment. Please go ahead.

Naitik Mohata: Sir thank you for the followup I understand that we are expecting payments to be coming in from GETCO by August and September first week and we saw some delays of about Rs. 50 Crores regarding Oil India order and some Rs. 20 Crores regarding small orders and execution capacity for us around Rs. 150 to Rs. 200 Crores so just from the annual calculation can we expect 400 plus Crores topline in Q2?

Jitendra Mamtora The order inflows you are talking about?

Naitik Mohata: I am talking about revenues.

Abhishek Sirohiya: It would be too early to comment on these things. We can just say that we are on verge that we can show better performance on YoY basis.

Naitik Mohata: We are confident in booking these revenues regarding Rs. 50 Crores of Oil India and the small orders that we are billing right?

Abhishek Sirohiya: Yes Sir.

Naitik Mohata: Got that. Thank you Sir. Thank you and all the best.



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Moderator: Thank you. I would now like to hand the conference over to management for closing comments. Over to you Sir!

Jitendra Mamtora Thank you everyone for being part of our earnings call. We solicit your support and trust on us especially during unprecedented times like this. We hope that we have been able to address most of your queries. In case of further queries, you may reach out to our investor relation advisor – EY and they will connect with you offline.

Moderator: Thank you Sir. On behalf of Transformers & Rectifiers (India) Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.