Our Ref: Sec/270/2025
Date: 29th January 2025

BSE Limited
Listing Department
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai-400 001
Scrip Code: 500252

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, C-1, Block-G, Bandra Kurla Complex
Bandra(E), Mumbai - 400 051.
Symbol: LMW

Dear Sir/Madam,

Sub: Intimation of submission of the transcript of the Analyst / Investor Meeting- reg

In continuation to our letter dated 17th January 2025, please find the attached transcript of the Analyst/ Investor meeting held on 27th January 2025. Pursuant to Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the same has been uploaded to the website of the Company as well.

This is for your information and records.

Thanking you,

For LMW LIMITED

COIMBATORE RAMANATHAN SHIVKUMARAN
Digitally signed by COIMBATORE RAMANATHAN SHIVKUMARAN
Date: 2025.01.29 11:57:39 +05'30'

C R SHIVKUMARAN
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl: As above

TRANSCRIPT OF Q3 INVESTOR CALL
LMW Limited (formerly Lakshmi Machine Works Limited)

Moderator

Ladies and gentlemen, good day and welcome to earnings call of LMW Limited for Q3 of FY 24-25 hosted by NSDL. As a reminder, please note that the participants lines will be in listen only mode and there will be an opportunity to ask questions after the brief by the company officials.

Should you require any assistance during the conference call and raise questions, please signal the operator by raising your hands. Please note that this call is being recorded and this is Sameer from NSDL.

We have with us Mr. V. Senthil, Chief Financial Officer and Ma'am B. Dhanalakshmi, Senior General Manager of the company and over to you sir.

Mr. V. Senthil

Thank you. Thank you, Mr. Sameer. Very good afternoon to everyone and thank you for joining the LMW earnings call for Q3 FY 24-25.

We will have a brief about the overall performance of the company for the period ending December 24, followed by an interactive session. I would like to clarify that certain statements made in the discussion during the conference will be forward looking in nature.

To begin with let me explain the overall performance of the company. Then we'll go into segment wise and consolidated performance.

The financial results have been posted on the company website and I hope you had an opportunity to go through the same. The revenue for the quarter ended December 24 is 710 crores as against 750 crores for September 24 which said a decrease of around 5%. For the nine-month period ending December 24, the revenue stands at 2,120 crores as against 3,645 crores for the same similar period for the last year. The Profit for the quarter stands at 36 crores as against 38.2 crores for the immediate previous quarter and for the nine-month period it stands at 92.5 crores as against 393 for the ninth month period for the previous year.

I would like to explain the exceptional item of around 132 crores during the quarter. This is profit which has been booked on account of transfer of 100% shares owned by LMW in LMW Textile Machinery Suzhou Company Limited, Which is our Chinese subsidiary and LMW Global FZE which is our Dubai subsidiary, to LMW Holding Ltd, which is again a wholly owned subsidiary of LMW. The sales consideration which was paid net of the cost of investment has been reflected as profit in the standalone books. However, since these are within the same entity, these are knocked off at consolidated level.

Now going to division wise detail, the TMD revenue stands at 450 crores for the current quarter as against 456 crores for the previous quarter, and for the nine-month period the turnover was 1347 crores compared to 2908 crores for the same period during the previous year. This is a reduction of around 54%. The overall loss for this division in the current quarter stands at 3 crores for the quarter and period to date the loss is 22 crores as against a profit of 270 crores during the last period., ie similar period last year.

With respect to the order book, currently we hold an order book of 3,100 crores of which the active orders are around 2,300 crores. With respect to the sales which has been clocked during the nine-month period, the ratio of domestic versus export and spares stands at 71% of this turnover is domestic, 7% exports and 22% is spares. As we have mentioned earlier and we continue to mention we have gone into a five-day working as far as textile Machinery division is concerned and so is foundry and this would continue to be so in the current quarter as well. This is on account of lower capacity utilization which is sub 50%. And this trend would be continued to be monitored and depending on the order flows we will take additional working days otherwise. Now with respect to LMW Global, the turnover for the nine-month period stands at 75 crores as against a comparative number of 215 crores. For nine months ended period, the profit for the current period is 1.47 crores as against the previous period profit of 12.98 crores and the order book in LMW Global stands at rupees 280 crores.

In LMW China for the nine-month period ending December 24 the turnover stands at 54 crores and for the comparative period last year it stood at 18 crores. The order book on hand in China is 22 crores. Now I move to Machine Tool Division and Foundry. The revenue in Machine Tool Division and foundry stands at 728 crores for nine-month period ending December 24 as against 756 crores for the corresponding previous period. Out of this around 11% relates to the Foundry division. The balance is towards Machine Tool Division.

With respect to ATC, the revenue for nine-month period stands at 123 crores for the nine-month period as against 133 for the corresponding previous period. At a consolidated level the revenue stands at 2,300 crores for the nine-month ended in December 24 as against 3,238.53 crores during the corresponding previous period and profit at rupees 90 crores as against rupees 395 crores during the corresponding previous period. With this brief I would like to continue to the interactive session. Over to you, Mr. Sameer.

Moderator

Thank you so much sir. Next, we would request the people in the attendees to please raise your hands to raise questions. The people in the attendees. Can we have you raising your hand so that we can proceed with the questions please? Sir, we've got Mr. Nirav, Mr. Nirav you have been unmuted and we can also have your video turned on if you like. And we are ready for your question.

Mr. Nirav

Good afternoon, sir, this is Nirav. Here my question is pertaining to the demand outlook. So, I understand that we are a very dominant player.

Is my voice clear?

Mr. V. Senthil

Yes, now it is clear. It's better otherwise it's little bit low.

Mr. Nirav

We are a very strong player in the spinning and yarn making machinery. But looks like the demand scenario is not in our favor. Based on your assessment when you are interacting with your customers how do you see the demand scenario? and what we are seeing is two major tailwinds. Can China plus one and now with Bangladesh plus one both turn in our favor. What And by what time are you expecting any major turnaround in the utilization which can eventually result in increased demand for spares leading to ordering activity as well Thank you.

Mr. V. Senthil

Any other questions? Mr. Nirav so that I'll take it all at one go.

Mr. Nirav

Maybe can I ask on the machine tool division after this question please.

Mr. V. Senthil

You can give me the question. I'll answer it.

Mr. Nirav

Sir, in machine tool division we are a decent player in the CNC machines. So, have we seen any kind of a slippage from the customer perspective? Because we are hearing that the capex is not getting canceled but it is getting postponed. So, has there been any scenario wherein a customer has extended the delivery period?

And third, with regards to Advanced Technology, like what we are seeing, even if I look at the data from last four, five years there has been no major off take despite the defence ordering picking up at a very very brisk pace in last couple of years. How do you see the outlook there? Is there any change in strategy? And more importantly this is pertinent to defence. But if I look at from the civil aviation space, some of the companies which recently got listed, they are getting big time into MRO and other activities. So, do we also intend to get into those space as well? Thank you very much.

Mr. V. Senthil

Okay. I think it covers quite a lot. So let me try and take.

Mr. Nirav

That's why I was trying to ask one by one .

Mr. V. Senthil

Much the way we do it. I. I like this way. No issues. So, I'll go one by one. So, with respect to the spinning TMD segment first a couple of positives and negatives and what we see is kind of happening.

Of course, I should say that this kind of a slowdown what we have kind of experienced over the last year and year and a half probably sets a record in terms of the longest slowdown what we have seen. But now what is perhaps unique is that this is happening across the globe across various country segments and you are absolutely right.

India being where we are a dominant player there are a couple of factors which is really not helping the Indian spinners at the moment. Right. The fact remains that the cotton prices are little bit on a higher side. So, the spread between cotton and yarn is not great and right now there were probably losses during earlier part of the year.

Now they're probably making some margins and ideally what's happening is that they would take some time to come back to making capex investment. So, what we have order books are getting pushed out longer and longer. I mean that's the way it is now. The reason of course there is some expectations and we can't comment on what is going to come in the budget, whether the duties are going to be re looked at, whether they're going to allow cotton to come in or you know, other fibers to come in.

I think it all waits to be real at a way to see what is going to happen. But currently that if you look at the volumes with respect to Bangladesh plus one, we really don't see that the volumes have significantly come down as far as our yarn going into Bangladesh is concerned.

Bangladesh is one of a very large customer, very large market for Indian yarn. China plus one we have been actually it is almost for 2021 to now three years and still things have really not moved as much as what we have expected because of its own structurally we need to have large capacities to counter China plus one and perhaps similarly with respect to Bangladesh plus one as well.

Yeah both of it would happen only if the raw material price has to be reasonable and I think there's a lot of industry associations which are making that pitch at the right authority, to the government I suppose so there are challenges there as to when the investment cycle will pick up and it is down to these factors. And if you see within, for example in Tamil Nadu, for example, there is an electricity charge, and the cost of electricity going up is definitely a bit of a challenge.

But again we have maintained that the current scenario with a lot of PLA schemes, PM Mitra Parks or what are the policies of various state governments, for example. I think we are whatever could be done to the best of abilities has already been announced and been out there.

It is perhaps the challenges like raw material getting addressed that would trigger the demand. That is point number one. Point number two. Again, if you go back and see we are talking about non-profitable spindles having reduced. So, what is the running spindles are running at full capacity. So, if you look at mills today, it is not that mills are running at lesser utilization.Most of the customers are running at full utilization. Probably the margins what they're making are not very comfortable. There has been a loss which has happened in the past which of course they will have to recover. So, the capacity utilization is to a very large extent it is happening. So, this would certain spindles going out of the market would also help in that utilization part. And when there's a pickup it would definitely come back Again.

What we have learned post Covid is V and K and W growths. But we definitely feel we can't judge or we can't, you know, comment as to how what kind of a pickup would we see something. What we see in 2020 late post Covid where all of a sudden there was a huge uptick in demand because again, since I said one and a half years there has been a slowdown. Whether it is going to all of a sudden come back. That is these are all things which we can't predict. But we do know that these scenarios do exist.

What our government has done with all the schemes like as I already mentioned are already in place. So, few factors turning around would help now with respect to India Now we are also having similar challenges and work globally, right. We are talking about Bangladesh which has a foreign currency issue. Shipments are still happening; products are still getting shipped. But of course, they do have a foreign currency issue. Turkey has got an interest rate issue.

So, today if we speak to Turkish customers, I mean their logic is that government is backing up. It's a very high interest. They give even bank deposits; we understand from our customers gives you very high interest. So, their point is why would you want to invest when we can keep the money in the bank and get a higher interest rate? And government is trying to have that back up of those banks. So, their point is, why would I want to run and make 10% when I can keep it in the bank and make more interest than that. So, there are certain issues there, but at the same time, certain new markets are growing. African market to some extent is starting to grow.

So predominantly we do have an issue across the globe as far as textiles are concerned. And it is very difficult to judge considering the fact that now with Trump's new set of what do you call these tariffs going to be announced, we really have to wait and see as to how these things are going to change. The textile, the demand from various manufacturing hubs, I think that too would be with respect to the textile machinery division, with respect to CNC machinery manufacturing. The CNC machinery generally, yes.

What your observation is right. It is not an account of any slippage of customers pushing out deliveries. We generally in CNC business don't have too long a waiting period. It is one and a half months of order book is what we at any point of time hold. It is more to do with a slight slowdown in the industry and there was a dip. But again, if you go back last two years and see it would be pretty much similar dip in the third quarter followed again by an uptick in the fourth quarter.

So but the trajectory of continued growth as far as this segment is concerned is very clear for us. We are not anticipating any significant dip because here China plus one has really taken off quite well. I would say there is a lot of things happening, especially on the engineering side from the manufacturing side in India. So, we are positive that the long-term trajectory still stays. Quarterly dip really doesn't matter significantly for us with respect to the Advanced Technology Center, I think the question was very clear as to whether we are part of the domestic defence segment and what has been structurally the changes. And if you actually go back and see our numbers, for us we were making a consistent loss and we have taken a clear call that we would like to focus more on the international customers where the strategy for us is to go deep and expand their spend with us.

So that is the change what has happened over the last couple of years. And that is where the turnaround specifically has happened with this sector. So, for sorry for this division. So currently we still do 90% of our business only on the export side. But point taken. And noted that with respect to the defence, we do work with domestic defence companies as well, but still a smaller percentage. But over a period of time, yes, it will grow. We will be investing as and when what is required.

As you know we have got both composite and metallics business in this. So, we will be trying to focus more and more for our composite business also towards the domestic defence and see how that works. But currently over the last three years we kind of, we have restructured to cater to the international customers than the local defence segment.

With respect to MRO, the idea is to supply components, parts, etc. Not to get into an MRO business. That's a totally different business altogether. We are not focusing on getting into MRO of maintenance of aircrafts and things like that. I hope I answered the question Back to you, Mr. Sameer. I think he's. Yeah, he's got some follow up question it looks like.

Moderator

Yeah, sure sir, sure. Yeah.

Nirav

Hi sir. Thank you. Yeah, Neerav here. Sir, thank you very much for this detailed explanation. So basically sir, in defence, what I was trying to understand is that like when an engine is getting designed, you need to get into the ecosystem, get the customer at the designing phase itself. If you want to scale up the advanced technology center and gradually when these engines start getting into rollout phase and when the MRO activities come, that is where we become the exclusive supplier. So, are we in any kind of an what I would say as we are trying to turn around this ATC center, have we got any significant breakthroughs with any of the global names? Because they are also looking at India as a very strong alternative from the sourcing perspective.

And with regards to the machine tool division, wanted to understand can we get into like four axle, five axis machines? Because that is where as we are seeing the EMS division, EMS companies are setting up really mega capex's and they require these kinds of machines on a very larger scale. And one more question which is specifically pertaining to machine tools. We are going to see massive capex of semiconductors in India.

Are we trying to have kind of any kind of a joint venture or any kind of an activity to address that particular market segment considering our technical understanding in the machineries.

Thank you. Okay.

Mr. V. Senthil

I think with respect to the long-term contract on ATC. Right. I mean you; you are right. There's a possibility for a company to participate in the development phase, but what then happens is that you are looking at iterative design development phases with a very long lead time. Right. Our focus Today is basically to be not in that segment because then what happens is we are investing a ton of time, ton of money and then it's going to take a long time for us to get back our investment.

Mr. Nirav

Unable to hear anything.

Moderator

I just wanted to confirm if Senthil sir is visible or audible to.

Mr. Nirav

No, his. His line is lost.

Moderator

Got it, got it. I just confirmed the same with the technical support who has joined us.

Mr. Nirav

Thank you.

Moderator

I just wanted to confirm that, with you.

Mr. Nirav

I could not get anything from and I could not get anything from the second conversation that was started.

Moderator

Sure. We'll just inform Senthil Sir that you know, this has happened once we have him connected to the call again Senthil Sir, sorry to barge in and interrupt. So, we lost you for the couple of, you know, like last minute I Guess entire conversation was missed.

Mr. V. Senthil

Okay, I'll just repeat thar, what I was trying to say is that the strategy what we have adopted is to be part of the existing running programs of the customers, OEM customers, not to get into a new program with international customers because of the lead time, you know, and the amount what we'll have to spend just to be part of that entire program. Rather we, we are keen to partner with them, work with them, expand our production, expand our offer to them and then at some point perhaps we should look at this.

But having said that, from the Indian context, we are part of the GTRE where I think you can look up that information which is available online as well, where the development, GTRE development, the engine development of GTRE, we are part of That is the way ATC works now coming to the EMS segment. Yes. And we are 100% in line with what you have mentioned, Mr. Nirav, that the manufacturing requirements in India are going to be very large scale and we have developed machines for EMS. We are supplying machines for EMS segment as well , we are not in any way taken away the scope of our supply for the EMS segment but with semiconductor segment. No, we are not making any machines for the semiconductor segment at the moment and perhaps if we do that, we will definitely keep you informed once we start launching these products but at the moment semiconductor is not part of our profile of machines. What our machines can go into and be supplied to, I think. I hope I answered your questions.

Moderator

Thank you very much.

Mr. V. Senthil

Yeah, back to you Mr. Samir.

Moderator

Thank you so much for answering that one. Thank you so much.

We would once again like to request the people in the Attendees to please raise their hands to go ahead with the question. So at the moment we do not have any hands raised.

Now we do. We have Mr. Manish Goyal joining us. Manishji, you have already been unmuted and if you feel like joining the call with the video turned on, you can do that as well. The option is now enabled.

Mr. Manish Goyal

Yeah, thank you so much. Very good evening Mr. Senthil, hope you can hear me.

Mr. V. Senthil

Yes, yes Mr. Manish, I can hear you very much.

Mr. Manish Goyal

Yeah, thank you so much sir. On the TMD side, sir, if you can also probably give perspective as to. What I recollect is that in last call we did mention that we are seeing some sequential improvement in order inflows. So if you can probably give more perspective as to is the trend continuing and at least we are able to book orders equivalent to the revenues booked or how is the scenario? And number one and number two, within that are we seeing any project based orders or it is largely from unitary machines? That was one thing.

One first question, second question, what is the export order book? So like what you mentioned about LMW Global of 280 crores, is it the export order book or it's a separate one from the subsidiary that wanted to know.

And third, on the clarification on the revenue breakup you mentioned 71% for domestic and so on. It's for quarter three or it was for nine months because this number is very similar to quarter two numbers.

So just wanted to clarify on that aspect. These are the first three questions on the TMD.

And maybe if you can also give perspective as to how is the progress on the launch of our new product Auto Coner as well. I have question for machine tool. I'll probably come back on that.

Mr. V. Senthil

Okay. From the order book perspective, it is not improved. Are we replacing enough orders from the new orders order inflow? No, what we are getting executed is basically coming out of the existing order book. And the new orders are not replacing the order in flow, not replaced by the new order inflow.

The export order book of 280 crores is exclusive of the 2,300 crores because that is pure Indian order book. And now with this LMW Global which you have established, all the orders of exports are under this subsidiary which is the LMW Global and that is excluding the nothing to do with the 2,300 crores which I already mentioned. And with respect to the ratio, this ratio is a nine-month ratio.

It's a cumulative ratio for nine months with 71%, 7% and 22 % is a cumulative ratio.

Mr. Manish Goyal

So, it is basically very similar to what quarter two was.

Mr. V. Senthil

Yes, actually. Yes, you're. You're absolutely right. I think what is. And that's what I was mentioning when I was answering Mr. Nirav in the previous question as well, generally as what you know, you know, we do 50, 25, 25 or something similar to that. The export order books to countries where we are supplying the order books have really gone down and the supplies have got pushed out more than the order book. It is. I think the supply pushouts have happened and that is. That is what is. It is reflecting in this ratio and the auto coner. Yes, there will be some supplies for I think by end of this year, this quarter, basically.

I think there will be some supplies. Will there. I think there will be a launch and things like that. We will. We'll let you know. I think definitely next quarter we'll let you know how many missions got supplied. But it will be a limited launch somewhere in few specific markets. It will be.

And you will come to know as soon as we launch it. But yes, there are some machines rolling out in the current quarter.

Mr. Manish Goyal

Right now. What would be the market size for autoconer? In past it used to be almost thousand crore per annum.

Mr. V. Senthil

So, I mean in a weak market like what we see today, even in this market it could. It would be. I think we just internally, myself and Madam Dhanalakshmi, just looking at the numbers, even in a weak market like this, we will be closer to 600 crores. So in a good market definitely it'll be 1200, 1500 odd crores. Definitely. I think.

Mr. Manish Goyal

Sorry, how much in a good market?

Mr. V. Senthil

in a market like this, definitely 600 to 700 crores. Yeah, in a good market definitely 1200 to 1500 crores is what I would say it is. But it will start rolling out this quarter . Few Machines will be rolled out to customers. Yes.

Mr. Manish Goyal

That’s quite interesting, sir. And on the machine tool like. Sir, again, just wanted to get a perspective as to. Are we still seeing slowdown from the auto sector? Because last quarter you mentioned that auto sector contribution has almost reached 40% while non-auto engineering segment is doing quite well and is growing.

So how is the scenario right now? Are we probably seeing any improvement in the In the demand side, number one. Number two on the margin side, sir, like it continues to remain quite depressed.

So how do you see it going forward? Also, in perspective that now there has been further rupee depreciation and there has Been quite a lot of imports for machine tool.

So how do we probably look forward to improving margins? Is it possibility that we can probably take price hikes to compensate for the cost increase? How should we one look at it sir?

Mr. V. Senthil

Any other question? Mr. Manish on the ATC. So, I thought I'll take it down if it's okay.

Mr. Manish Goyal

No sir, I mean ATC just want to know probably like how is the order book? It used to be 300 to 400 crores. So just want to know how is the order book building up and do we expect execution to improve in ATC going forward?

Mr. V. Senthil

With respect to the MTD segment, the auto segment again I'm talking about nine-month period now. The auto segment is now closer to 45% followed by General engineering, industrial machinery, pump and valve, tool room and electronics. I think that's the way it is of course made up of many things but auto segment has actually gone up by around 5% compared to, compared to last time. The margins. with respect to margins I think the. There are three things within this margin when you look at this number, right. One is there is a foundry which is 11% foundry and that foundry because of the overall lower capacity utilization it is just below breakeven. Right. So that is also part of this but on a standalone basis we should also understand that now VMCs which are part of the mission tool business they are at little bit of a lower margin because of the right thing, what you mentioned, you know the cost, the costs are increasing, most of it is imported components. We are not looking at any price hikes because we have done a price hike in the month of May 2024. So at the moment we are not looking at any price hikes as far as the segment is concerned. Only requirement.

What we are trying, what we are pushing for is that and we have to, we have already committed our Capex and we have actually spent the capex on this division for closer to 200 crores of turnover and our capacity utilization has to go up. I mean it's very simple, straightforward mathematics where we are pushing for better utilization of the plant and higher turnover from this particular division because having expected a surge post China plus one and lot of manufacturing coming into India, we have all, most of the, most of us in this particular business have taken a call that things are going to look better and we have invested but we are not getting that numbers.

I think that is the reason we are seeing a little bit of a dampener on the margin side. But otherwise yeah, I think we should see margins improve as the turnover goes up.

With respect to the currency, we have seen currency depreciate in the recent past. We are keeping an eye on it because it does have a direct impact on our product cost. But this will be an industry wide phenomenon and we will take a call appropriately when, when it comes to that. When the suppliers and we sit and discuss as to what. What happens with the future pricing of the components. With respect to order book, yes, the order book is pretty much the same range around 400 odd crores over the next two and a half years. As far as ATC is concerned.

With respect to the execution part there is still a little bit of an uncertainty with respect to the order book. I would say more of a 15, 20% kind of an uncertainty in all the orders getting executed, because these are all order books are slotted at various points in time. We do get a visibility for next one and a -half years with the existing order book. But because of the push and pull of these orders from the customer side we are certain with almost 80 to 85% certainty we are clear of exhibiting these orders. That's with respect to ATC, But the order book is building up in ATC. Thank you, back to you Mr. Sameer,

Moderator

Thank you so much. Sir, Mr. Manish, I believe he has got another follow up question. Can you proceed with him?

Mr. V. Senthil

Yeah. Please, please.

Mr. Manish

Sir, I just want to clarify. You mentioned in MTD, have we done 200 cr. of capex which can offer us thousand crore revenue.

Mr. V. Senthil

I said 1200 crores of revenue is possible with the existing Capacity. What we have already done over the last three years, that's what I meant.

Mr. Manish

Okay. Okay, Thank you sir. I'll come back in the queue.
Thank you.

Thank you. Thank you.

Mr. V. Senthil

Thank you.

Moderator

Thank you so much sir for clearing that one. Thank you so much. We would request more of the attendees. If you have any questions, you can have your hands raised, we've got. Mr. Aditya. Aditya, we have already connected you to the audio, you have already been unmuted. We can also have your video turned on if you like.

Mr. Aditya

Am I audible?

Moderator

Yes sir.

Mr. V. Senthil

Yes. Yes, please go on. Yeah.

Mr. Aditya

So, sir, my first question was on the ATC division. So, if you could just help us understand what kind of products do we provide to international OEMs and what is the end use of these products, and secondly sir, if we look from a three to four-year perspective you know what would help this business to grow to a 300,400 cr of turnover per year. So do we need to get new OEMs or we can increase the market share from the existing OEMs only and we can help scale to a 300, 400 turnover.

So, if you could just provide some qualitative aspects, what would lead to the turnover increasing two or three times in this division Also then second was an MTD division. Now we were in talks with Apple to get into their manufacturing division to give supply of machines to their manufacturing partners, so what is the status of that? If you could just help us understand that, and are we in talks with any other major OEMs like Samsung and all to provide our machines to some of the manufacturing partners?

Mr. V. Senthil

Okay, see with respect to ATC, what we have, what the company has done is we have got six verticals, right? We make engine parts, we make structural parts, we make sheet metal, we make special process, we have assembly and tooling and we have composite of which the predominant business, the turnover comes from engine parts, composites and the other, the structural sheet metal are all smaller ones.

Now our existing Capex, what we already invested so far would in itself give us closer to 200 crores of turnover. Plus, we should also understand that at least 40%, 30 to 40% of the turnover is basically coming out of pure value addion, nothing to do with material cost because we get free issue of material, especially the entire supply of the OPLF for the PSLV that is the nose cone assembly which we have done and supplied if you see was at zero material cost to us with pure value addition being done. So the way we look at the business is that see to get turnover of 300 crores, if I were to simply buy the material, I'll still make 300 cr.

But the idea basically is that we need to have a mix of free shift material because in this particular business the material purchase has longer lead times because the materials are all controlled by the customer as to where it should be procured from, etc. The idea is to have both a mix of value add alone plus a mix of with material, so but doing that getting to a higher turnover, we don't see much of new capex getting required because we, like I said, we have got CAPEX to existing capex will get us to 200 odd crores. But we are also working on having full utilization on the composite facility.

Today our composites generate closer to 15 to 20% of the turnover. But with respect to where they can go to from currently where we are on composite, we are atleast, say around 20 odd crores of turnover in the current turnover for the 9 months they technically can on Its own come to around 80, 90 crores, so we are pushing for utilization on the composites. And in this process of reaching 300 or 400 crore, like I just mentioned, one way to do it and the way what we kind of prefer is to work with the OEMs and get into more and more parts for them, right. It is not about going to newer OEMs and trying to establish but in existing because these, these are all as, as you know, very large OEMs having a variety of parts for us.

And we ourselves are structured like I just now mentioned, under the six verticals. So, any part in an OEM we'll be able to service, I mean we'll be able to produce and supply. So be it's a special process, be it a sheet metal requirement, be it an assembly requirement, you know, that is the way we are kind of structured to grow the business very much.

We believe that this is, this would be the way to do that. Take OEM, expand the scope of our supply to the OEM and that way get more and more parts from them, and investments may not be very huge. And they're all project based, so we get as the OEM starts, wants us to produce more and gives a specific order. We try to then procure and go into capex.

And whilst keeping all this in mind, we are also very conscious of the fact that we don't commit any capex to a specific customer where the asset is non-fungible. So that asset has to be fungible enough for us to produce a similar part or some other part for a different customer, because this business it is, things are clear.

But if there is a push out suddenly you do not want to be stuck with that asset and just be dedicated in that case that is what, that it is. With respect to the machine tool division, I did mention that the project for the EMS machine, what you are basically talking about, EMS machine, we call it the JD one is one of the models and there is a series of models for the EMS segment we are supplying. I think as we speak there is a large exhibition which is happening in Bangalore.

It is called IMTEX. I think at the end of it we will know what more new customers have come in to pick up these machines.

But yes, we are actively pursuing this segment also and there is a lot of demand. You are right.

When a supply chain, when the segment gets established, it is not only the product but there are toolings which get supplied to the product, there are other machines which must get manufactured to make this product. So, there is a whole ecosystem which gets created and we are very much part of the ecosystem of supply into the EMS segment.

I hope that answers your question. Back to you Mr. Samir

Moderator

Thank You so much for answering that one. Thank you so much sir. Now we once again have no raised hands. We would once again request the people in the attendees to please raise your hands. I think Mr. Aditya has a follow up question.

Mr. V. Senthil

Sure.

Mr. Aditya

Yeah. Hi sir So, I had two follow ups. So, in our ATC division, what is the construct, you know currently like?

So how many OEMs would be currently supplying to and how concentrated it is? So is it like we are the 70 to 80 of our revenue comes from 2 to 3 OEMs or it is diversified currently and so secondly on machine tools my question was have we got approvals from Apple or we are still in the process of negotiating with them and if I look at, if I look at your listed peers as well in MTD division, to mentioned that there is some slowdown in MTD division. But you know when I look at the two listed peers in the MTD division, their growth has been fast as compared to us.

So is it just related to the industry or we are absent in some of the segments and which is hampering our growth. So, if you could just clarify on that, that would be helpful.

Mr. V. Senthil

Yeah. See ATC we are concentrated with probably 60 to 70% from a couple of. Probably few. I would not say couple which would mean two but at least few OEMs. I think that is the way, that is the way it is. With respect to machine tool division, the machine, as far as we have initially discussed on the project, it is approved. But however, having said that the orders were placed and of course we did not get the order for the first set of machines which was placed but that is what I mentioned also that machine, what we have developed for the EMS segment is something which is being supplied to the ecosystem within the EMS segment.

I think that is what it is. So, did we get a direct order from the customer? No, we did not get a direct order from the customer. With respect to the listed peers and the growth, I mean we cannot comment. Only thing what I can say is that our machines are present in all segments. That is the effort. As what you can see the machine tool division is split into the segments. I do not want to go from the overall segment, but at least within, within the CNC machine segment, it is turning centers and machining centers. Whilst we are a significant player on the turning centers, in machining centers there has been a growth story for us over the last three, four years because our machining centers, both vertical and horizontal and more so on the vertical side have only started last three years before and we are making a reasonable amount of progress as far as the machining centers are concerned. So, our focus is on machining centers and turning centers.

We have been there, we are there and you know, with a significant market share in the turning centers. So, there is a growth opportunity for us on the machining centers which is both vertical and horizontal and that is, that is, that is where we need to grow and that is where the investments also keep going into. Back to you Mr.Sameer.

Moderator

Thank you so much sir. With this I believe we have no more raised hands and hence we have no further questions.

Mr. V. Senthil

Good. Then do we wind up.

Moderator

Hello sir, would you want me to wait a little further for more questions or would you want us to conclude this meeting?

Mr. V. Senthil

Yeah, probably we can wait for a minute and then we can wind up then.

Moderator

Sure sir, sure. So, for all the people in the attendees, we would like to wait for another minute so that we have any questions or follow ups on the questions. We can have the hands raised. So, Mr. Manish has a follow up question.

Mr. V. Senthil

Yeah.

Moderator

Mr. Manish, we are ready for you.

Mr. Manish

Yeah, thank you so much for giving opportunity. Sir, just I have one question on the spares business. So, sir, you did mention that the. The mills which are operating are operating at full capacity. So ideally just want to know that the spares business is also seeing a significant decline despite if machines are operating at. Mills are operating at full capacity. So, what is it that is probably hurting the growth in the spares business and how should we look at it going forward?

Mr. V. Senthil

Mr. Manish, the spares, domestic spares at least has not seen significant declines. Very, very marginal.

Right. For us of course to some extent, you know, there is information that some amount of spindle age has come down and which I also mentioned initially, probably that is the only impact.

But otherwise even if you look at our own numbers and I am sure you have the numbers of the last years as well. And if you look at, if you convert the percentage to value, it is not significantly reduced, it is still there.

What basically happens is that as what we always see, you know, in a market like this, when the margins are very tight. The long-life spares, the spindles etc.probably get pushed out little bit more instead of working for six months further where they may say okay, can we push it for one more year already it would have been closer to the end of the life but they may still be able to push it for a few more quarters to ensure that at least they are cash positive and things like that. But that, that has been the scenario. We do not, We have not seen a significant dip as far as spares are concerned.

Mr. Manish

Okay, thank you so much.

Mr. V. Senthil

Thank you.

Moderator

Thank you so much sir for answering that

V. Senthil

Okay, I think there are no other raised hands Mr. Samir. Then we can close it?

Moderator

Sure sir. Since we have no raised hands, this brings us to the end of all the questions from all the attendees. Thank you so much everybody for joining us and especially thank you so much Senthil sir for answering all the questions asked through the entire meeting. Thank you so much sir. Thank you.

Mr. V. Senthil

Thank you. Bye everyone.

Thank you.

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