



# Technocraft Industries (India) Limited

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November 18, 2024

To,

**National Stock Exchange of India Ltd.**

Exchange Plaza,  
Bandra Kurla Complex,  
Bandra (E),  
Mumbai- 400051

**BSE Limited**

Listing Department  
P.J. Towers, 1<sup>st</sup> Floor,  
Dalal Street, Fort,  
Mumbai – 400 001

**Ref: Script Name: TIIL**

**Script Code: 532804**

Dear Sir/ Madam,

**Sub: Transcript of Conference Call held for discussion of financial performance of  
Second Quarter ended September 30, 2024**

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Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to forward herewith a link of the Transcript of Investor's/Analyst/Concall on financial results of the Company for the quarter ended 30<sup>th</sup> September 2024.

<https://www.technocraftgroup.com/concall>

Kindly take note of the same on your records.

Thanking you.

Yours sincerely,

**For Technocraft Industries (India) Limited**

**Neeraj Rai**  
**Company Secretary**

Encl. as above



“Technocraft Industries India Limited  
Q2 FY25 Earnings Conference Call”

November 14, 2024



**MANAGEMENT:** **MR. NAVNEET KUMAR SARAF – DIRECTOR AND CHIEF EXECUTIVE OFFICER – TECHNOCRAFT INDUSTRIES INDIA LIMITED**

**MR. ASHISH KUMAR SARAF – DIRECTOR AND CHIEF FINANCIAL OFFICER – TECHNOCRAFT INDUSTRIES INDIA LIMITED**

**MR. ANIL GADODIA – GROUP CHIEF FINANCIAL OFFICER – TECHNOCRAFT INDUSTRIES INDIA LIMITED**

**MODERATOR:** **MS. DARSHA HIWRALE – SYSTEMATIX INSTITUTIONAL EQUITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to Technocraft Industries India Limited Q2 FY25 Earnings Conference Call hosted by Systematix Institutional Equities. 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 your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Darsha Hiwrale from Systematix Institutional Equities. Thank you and over to you, ma'am.

**Darsha Hiwrale:** Thank you, Yusuf and good morning, everyone. This is Darsha Hiwrale on behalf of Systematix Institutional Equities. I welcome you to the Q2 FY25 earnings call of Technocraft Industries India Limited. We thank the management for giving us an opportunity to host the call.

Today, we have with us the senior management of the company represented by Mr. Navneet Kumar Saraf, Director and CEO, Mr. Ashish Kumar Saraf, Director and CFO, and Mr. Anil Gadodia, Group CFO. We'll now hand over the call to the company management for the opening remarks. Over to you, sir.

**Management:** Thank you, Darsha. Thank you, Yusuf. Navneet, will you give the opening remarks?

**Navneet Saraf:** Yes. Thank you, Darsha. On behalf of Technocraft Industries, I would like to extend a warm welcome to all our investors who have joined our Q2 earnings call. This has been a mixed quarter for Technocraft in Q2.

As you've seen, you know, compared to the last quarter -- compared to the same quarter last year, while our sales have increased, the profits before tax have been flat. At an operational level there has been a decline in certain segments. Mainly, we have seen some challenges owing due to increase in freight costs and geopolitical conditions, mainly in markets like Europe.

Overall though, the prospects of the company are quite good. Our new plant in Aurangabad, I'm pleased to announce, has now started production and we are slowly ramping up. The drum closure division has also been doing quite well. So I look forward to discussing the key highlights and details of the quarter performance further on this call and I would now like to hand it over to questions and answers. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. First question is from the line of Rohan Randery, an individual investor. Please go ahead.

**Rohan Randery:** Hi, good morning. So, my question was, first of all, thank you for the good performance on the drum closure and the scaffolding division. But my question was more about the textile division. So, I just wanted to understand, what is the motivation for running it? What is the edge that you all have, which can help to generate a good return on capital in that business?

**Management:** Hello, good morning. So, you know, about two or three years ago, we decided to relocate the manufacturing location of our textile business from Murbad, which is close to Bombay, to Amravati near Nagpur, because of cost advantages and the incentives available over there,

because Murbad was starting to become unviable as a location to have any manufacturing. So, we slowly, slowly moved our spinning about two years ago.

And so, excluding this current year, the last year and the year before also, we had cash profit in the spinning once we moved to Amravati. And last year, we have started to move the garmenting also from here to Amravati, which is now trying to take shape. So that is one strategy we have used to help improve our bottom line of the textile division.

The second idea is to move more towards the garmenting side of business, where the value addition is higher. So, we are trying to ramp up that capacity and reduce our sale of cotton yarn and other commodity businesses and use more of our raw material and convert into finished product and sell that rather than selling the commodity product. So, this is our way forward that we think right now.

**Rohan Randery:** Okay. So, in the long run, what kind of return on capital you think you can generate in this business?

**Management:** Return on capital, I have not calculated, but I have envisaged that all put together, this business can generate about 12% EBITDA, not more, 12%-13% EBITDA, 12% to 15%, let us say, high side 15.

**Rohan Randery:** Okay. And at one point, you alluded to a demerger of this textile business unit at the appropriate time. So, what are the triggers which you are looking at, which will motivate you to demerge it? Because the financial profile of the other two businesses are very different from the textile business?

**Management:** Yes. So, we thought about it in the past. We consulted some experts also, but the cost is just exorbitant to do this. So, it kind of took a backseat this particular topic.

**Rohan Randery:** Okay. But I think in the longer run, it might still make sense. I understand there will be immediate

**Management:** Yes. I mean, our mind is open. We are open to look at different forms of restructuring and we will be happy to again revisit if it makes commercial sense.

**Rohan Randery:** Right. That is it from us. Thank you.

**Moderator:** Thank you. Next question is from the line of Riya Mehta from Equitas Investments. Please proceed.

**Riya Mehta:** Thank you for giving me the opportunity. My first question is in regards to the scaffolding division. So, I am assuming that since 50% of our scaffolding goes to US, there will be some impact of freight. So, if we remove the incremental freight impact, what kind of margins we would have seen?

**Navneet Saraf:** Yes. So, Riya, you are right. There has been an impact of freight. The freight impact has been quite severe actually. The freight rates almost doubled in this particular quarter from where it used to be around \$4,000 a container, it went as high as \$8,300. So, I think the impact of that

was roughly about 7% on the margins. Yes so, that was the impact. Had we removed that, then I think the margins would be very similar to what we had in the previous quarter as far as the US business is concerned.

**Riya Mehta:** And what kind of price increase, if any, are we seeing that we are able to pass on to the customers in US?

**Navneet Saraf:** So, price increase happens gradually. So, it takes a quarter or so. So, we have been able to increase prices now. Actually, we have been able to increase prices to this tune 5% to 7%. On the other hand going forward, I think we are a little on a stronger footing in the US as far as price increase is concerned, because the tariffs on Chinese imports are now fully back on. In between the tariffs for most of the scaffolding imports from China had been relaxed.

Now they are back on and with Donald Trump coming in, I don't expect there to be any relaxation. So, yes, so right for now, we've been able to increase the prices to absorb the freight cost increase. And going forward, we may be able to increase further.

**Riya Mehta:** In what kind of demand scenario, since I think in our presentation, we mentioned we are seeing some tepid demand from US and Europe. So, have we seen any improvement post the election?

**Navneet Saraf:** Too early to say. The demand, we have definitely seen reduction and slowdown in Europe. That's been ongoing for the past few quarters because of the geopolitical situation around Ukraine and all that. US, it's been mixed. There have been certain segments in the US where demand has been slow, like the commercial and infrastructure segment. Demand coming from segments like semiconductors and high tech and those areas.

People have been on wait and watch mode owing to the result of the election. Now with the election result being out, first quarter next year is when we should see some pickup in demand in the US.

**Riya Mehta:** Got it. So, basically from Q2 of India, we'll see improvement in US business.

**Navneet Saraf:** Yes.

**Riya Mehta:** Okay, got it. So, can we assume that typically a Scaffolding for H1 is better than H2 because US gets consolidated with a lag. So, considering that, will we see a de growth in FY25 versus FY24 for Scaffolding?

**Navneet Saraf:** Difficult to say at the moment, it's looking pretty much along similar lines. FY25, if we see H1 of FY25 and compare with H1 of FY24, we are sort of pretty similar. I think another thing that will impact this year in Scaffolding will be the additional depreciation that we have taken on board due to the Aurangabad unit.

So, in fact, that has been more of a material reason for the reduction in profit. There's almost INR4.5 crores of additional cost that has come in in this quarter owing to depreciation on the new plant in Aurangabad. And that will come this year. And we will not see the full effect of 100% capacity utilization this year.

- Riya Mehta:** Got it. So, okay. So, now second coming to the domestic business, so basically, which is MÄCH ONE. So, MÄCH ONE, we're seeing good amount of growth for us. We just wanted to understand that lately we've been seeing some real estate project delays, etc. So, are you seeing some slowdown in MÄCH ONE?
- Navneet Saraf:** No, there we are not seeing any slowdown. The demand is extremely robust in India. The order book is also quite steady. And we are not seeing any. We are seeing only increase in demand there.
- Riya Mehta:** Got it. And in terms of our backward integration, which we were doing, and we would have INR500 crores of savings. So, will that be coming this year entirely on stream?
- Navneet Saraf:** Yes, the plant has started in Aurangabad. The extrusion plant has started. We are currently in de-bottleneck mode, and getting that streamlined. We will certainly not be seeing that at 100% capacity this year. We expect to reach full capacity utilization of the extrusion plant by the end of this fiscal year. And we expect to see full capacity utilization next year in FY26.
- Riya Mehta:** So, maybe part of the benefit around INR200 to INR250 crores we expect this year to come?
- Navneet Saraf:** No, no, the benefit is not INR250 crores. Incremental increase in profit from the Aurangabad unit is about INR80 crores, which we expect to get added next year.
- Riya Mehta:** Okay. Got it. I think it is INR400 crores total savings, right?
- Navneet Saraf:** No, that was increase in sales.
- Riya Mehta:** Right, right. Total.
- Navneet Saraf:** Yes, the profit from that is about INR80 crores.
- Moderator:** Thank you. Next question is from the line of Chetan Vohra from Abakkus Asset Manager. Please go ahead.
- Chetan Vohra:** Sir, we'd like to understand what's the outlook from the drum closure, guys. We have been seeing quite a...
- Moderator:** Sorry to interrupt, Mr. Vohra. Your voice is sounding muffled. Please use handset.
- Chetan Vohra:** Yes, so what I was asking that in the drum closure, the growth since last three quarters has been quite great, you know, about 15%. So what's the trajectory going ahead for the drum closure?
- Navneet Saraf:** So drum closure, yes the growth has been quite good in the last three quarters certainly higher than last year. And the trajectory going ahead is also good, we are one of the contributors at China. We are seeing good increase in China. The demand there is quite steady. We are also increasing our output in our China plant. And demand from the rest of the world, barring Europe, is also quite good, quite steady.

So I think going forward, the next few quarters should be similar to what the last two, three quarters have been. Similar trajectory.

**Chetan Vohra:** So for next three, four quarters, we will be seeing the growth, what we have been seeing in last two, three quarters, right?

**Navneet Saraf:** Yes.

**Chetan Vohra:** Okay, thanks. And this next question was on the Scaffolding. The growth has started coming in. But in terms of the profitability, the margins are quite volatile. I understand that the freight cost has increased. And because of the high depreciation, because of the new plant getting commissioned. So for the full year, on a full year basis, how do we see the Scaffolding division on the revenue growth and on the profitability sensor? On a full year basis?

**Navneet Saraf:** Yes, so this year on a full year basis, the revenue growth will be similar to what we've seen half year. We are on track to do about INR1,250 crores in revenue this year FY25. Profitability, as I said -- will be lower because mainly on account of depreciation, there will be almost INR10 crores of depreciation in the full year that will be accounted for in FY25, which was not there in FY24.

And the incremental revenue of Aurangabad plant this year will not be so high, it will only be about INR20 to INR25 crores. And so that will impact the profitability. Freight also impacted the profitability in the first half of the year. The second half of the year, I don't think freight will impact because the freight prices have now cooled down.

And so that that pressure will go away. So I think second half of the year should be better than the first half of the year in Scaffolding. That's, that's how we see it.

**Chetan Vohra:** And for the full year basis, as earlier in the last call, we had said you will be looking at the margin on the range of 19% to 20%. So where do we see? Because last year for the full year, it was like close to 18%.

**Navneet Saraf:** Yes, so this year it will not be that because if we take into consideration the additional depreciation cost, it will be to that tune without the depreciation of Aurangabad. But if you take in that additional depreciation cost, we'll be lower than 18%.

**Chetan Vohra:** Okay, fine. And on coming on the engineering front, the growth has moderated on the engineering front. Any view on that? It is a quarterly base?

**Navneet Saraf:** So what has been happening is the business is pretty steady. We have actually invested this year in expanding our sales team in the US and Europe. As a result, our SG&A costs have increased to the tune of about \$150,000 a month. We've added salespeople across all our territories. It generally takes about a year or so for that to start translating into significant material increase in revenues.

So while some new large accounts have been opened up, currently we are not seeing a very large material revenue from them visible to in our books. Again, that will start happening next year,

in the next fiscal year. So as a result of that, what we are seeing is we are seeing a small increase in revenue and actually a reduction in profits because we've added sales and marketing costs this year. That will translate to increase in revenue and profits next year.

**Chetan Vohra:** All right. And coming to the Scaffolding, so the FY26 will be the full first year wherein Aurangabad will be operational for the entire 12 months. So we could see a sharp jump on the execution front, right?

**Navneet Saraf:** Yes.

**Chetan Vohra:** Awesome. And the potential of the Aurangabad Revenue Plant would be what, close to you said?

**Navneet Saraf:** About INR450 crores in revenue and about INR80 crores in profit.

**Moderator:** Next question is from the line of Vikas Gupta from Wealth Guardian.

**Vikas Gupta:** So my first question is related to the CWIP. There's an entry of INR111 crores. So can you guide me this is related to which segment?

**Navneet Saraf:** Anil Ji, I request you to answer that question.

**Anil Gadodia:** Yes, you're talking about CWIP, right?

**Vikas Gupta:** Yes.

**Anil Gadodia:** Yes, this is basically a few machines that are coming in Aurangabad. See, what has happened is we have started the production in March 2024. And few machines were required to be, imported. So that machine, those part of the machines are already received, but those are under commissioning.

Let's say 50% of the plant is under commissioning. So that's we have kept it under CWIP. Once the commercial production is successfully starting, then we will be converting the CWIP into fixed assets.

**Vikas Gupta:** So this is related to the scaffolding segment?

**Anil Gadodia:** This is for scaffolding, mainly Aurangabad plants.

**Vikas Gupta:** Okay. Is there any additional capex for this particular segment?

**Anil Gadodia:** No, I don't think there are any capex that are being planned apart from de-bottlenecking and routine kind of capex. There are no major capex that are planned.

**Navneet Saraf:** But just to add the total planned capex of Aurangabad is not fully completed, so that will get completed.

**Vikas Gupta:** Okay, how much is the planning amount?



- Navneet Saraf:** About INR50 crores.
- Vikas Gupta:** Okay. So second question is related to the textile, is there any capex or de-bottlenecking planned for this year or for the next year?
- Anil Gadodia:** No.
- Vikas Gupta:** So no incremental capex?
- Anil Gadodia:** No, no.
- Vikas Gupta:** All right. So the last one is, can you help me with the net debt figure? You have cash balance as well as gross debt as well. So can you just help me with the net debt?
- Anil Gadodia:** Yes, one second. So total investable surplus available in the company is around INR392 crores. This is cash and cash equivalent. And the working capital and term loan in the books is around INR400 crores. So almost same, INR400 crores of cash and investable surplus versus INR400 crores of liability.
- Vikas Gupta:** So no net debt, it's a net cash policy?
- Anil Gadodia:** Yes, it's a net cash. Because whatever liability is there for the majority of the liabilities for the working capital, which is against all the current assets in hand.
- Vikas Gupta:** Okay. Thank you so much for the response.
- Moderator:** Thank you. Next question is from the line of Samarth Singh from TPF Capital. Please go ahead.
- Samarth Singh:** Good morning. Thank you for the opportunity. Just one question on the drum closures. If you could provide an update on if you had any – any major success in the plastic closures part of the business?
- Navneet Saraf:** Yes, the plastic closure part of the business has, I would not say we've had major success in that. It's, been growing in a small percentage. And it continues to be a small part of the overall drum closure segment. It is quite a competitive segment. And unlike the metal closures, there are many competitors, mainly from China there. The margins in that segment are also not at the same level as they are in the metal closure segment.
- So we are also quite cautious, we don't want to take on business and bring down the overall margin percentage. So we are quite choosy about the type of business that we pick and pursue. So overall, it's been slow. And it's been a very small incremental increase.
- Samarth Singh:** Were there any regulatory issues as well in Europe regarding this business?
- Navneet Saraf:** No, no regulatory issues.
- Samarth Singh:** Okay. So we didn't and how -- how large is this business for us in Europe?
- Navneet Saraf:** What the plastic business?

**Samarth Singh:** Yes.

**Navneet Saraf:** We wouldn't have data on plastic business separately. Maybe if my CFO has it, he can let you know. Anil ji, if you have that data available?

**Anil Gadodia:** No, I don't have any available how much plastic is going in exports. But I can tell you, total revenue for the last 6 months was around INR18 crores and marginally reasonably good. We are trying new products and new models are being made. But overall scenario is not that large. So if required, we can take out the details and send it to you, Samarth.

**Samarth Singh:** That's right. Thank you so much. That's all I have.

**Anil Gadodia:** Thanks, Samarth.

**Moderator:** Thank you. Next question is from the line of Uttam Reddy from Reddy Enterprises. Please proceed.

**Uttam Reddy:** Sir, about two quarter ago, you had mentioned that you are pursuing...

**Moderator:** Mr. Uttam, your voice is very low. Please use handset.

**Uttam Reddy:** Can you hear me now?

**Moderator:** Yes, please go ahead.

**Uttam Reddy:** Sir, about two quarter...

**Management:** No, you are not audible.

**Moderator:** Mr. Reddy?

**Uttam Reddy:** Yes.

**Moderator:** Yes, please go ahead with your question.

**Uttam Reddy:** Sir, my question is about two quarter ago. The management had said that they were pursuing some applications in the defence space. Can they shed some light on that?

**Navneet Saraf:** I'm sorry, I didn't quite hear the question. Application with?

**Uttam Reddy:** Applications in the defence space. I think you were making some sensors and that was waiting for some approvals? I think Mr. Saraf had spoken about this briefly about a quarter or two ago. So, I was just wondering if you have made any progress in that space?

**Navneet Saraf:** Anil ji, would you be able to update on that?

**Anil Gadodia:** Yes, Navneet ji I can tell you. Basically, there was a very niche product called JT coolers. The government of India, the defence division has laid order on a test basis to produce and supply 50 to the defence department. And they have awarded us all certificates and the product has been

approved. Everything is absolutely fine. Our plant has been duly approved. They have visited two, three times and they are very happy.

Now, what happens, the JT cooler is put on the tip of the missile and there is a sensor in which the JT cooler needs to be inserted. Somehow, this sensor in which the JT cooler goes is supplied by French company. Now, the Government of India, the defence division told us that you need to supply the JT coolers to the France company and the France company can insert JT coolers produced by us and give the entire sensor to the defence division.

Now, initially, the France company was not okay, with getting this high-tech product from India. But somehow, now they are convinced and we sent few pieces of JT coolers to them and hopefully, it will be approved and we will be able to supply to the defence division via France company because they would not like to have defence division, defence Government of India, defence department would not like to have directly from Indian manufacturer as of now.

So, we are quite hopeful the product which has been supplied to the France company will be approved by them and we will be able to supply them. So, somehow, defence per se is a typical sector. It takes time to crack.

**Uttam Reddy:** Yes, sir. How large of an opportunity if I assume this being, sir, just as a follow-up question?

**Anil Gadodia:** Opportunity defence?

**Uttam Reddy:** Yes, sir. Especially, these JT coolers, the sensors you are mentioning, how large of an opportunity defence can this be?

**Anil Gadodia:** Yes, it will be quite large. It really goes well. Probably, it will be as big as our drum closure division or even more than that. 50 pieces were of INR10 crores. That was only a sample. You can understand, imagine how big it can be then.

**Uttam Reddy:** Fantastic, sir. As large as the drum closure, that will be very significant. Thank you.

**Anil Gadodia:** But as I said, it takes time. It is a very niche product, very high-tech product. Very few in the world produce this kind of product.

**Uttam Reddy:** Yes, totally understandable, sir. Thank you so much. Thanks a lot.

**Anil Gadodia:** You are welcome.

**Moderator:** Thank you. Next follow-up question is from the line of Chetan Vora from Abakkus Asset Manager. Please go ahead.

**Chetan Vora:** Yes, hi, sir. Just would like to understand your view on the FY '26 margin with respect to scaffolding once the Aurangabad is fully operational. So, can we see the margins again to get restored to 20% plus levels?

**Navneet Saraf:** Yes. So, in FY '26, once the Aurangabad Plant is fully operational, we do expect the margins to be at the 20% level.

**Chetan Vora:** Okay, great. And the other thing was that in the last con call you had guided out here for the FY '25, we are looking for the PBT of INR350 crores and a PBT of INR500 crores the next year. Where do we stand with respect to that guidance?

**Navneet Saraf:** See, as far as FY '26 is concerned, we will be adding, we expect to be adding about INR80 crores in the PBT of scaffolding division on account of full utilization of the Aurangabad plant. Other than that, we expect some steady growth of 5%, 6% in the drum closure division. And we do expect a good increase in the PBT of the engineering division because we expect revenue increase in FY '26.

So, I think I would say overall, we should expect an increase of about INR100 crores in the total PBT of the company. So, that should put us at close, I think this year our PBT is tending to be around INR400 crores. So, I think that should put us at about INR500 crores in FY '26.

**Chetan Vora:** Because then the scaffolding, I understand the incremental INR80 crores is coming, but the existing scaffolding business also will be moving towards the restored normalcy in terms of profitability, right, sir? Which is right now a drag down. So, the existing scaffolding business also will be giving out some delta in terms of the profit.

**Navneet Saraf:** Yes. So, these are conservative, obviously estimates at the same while we expect existing scaffolding business to also give out some delta in profit. But one should also take into account there could be some unforeseen negatives as well. There could be increase in raw material costs, there could be increase in other commodities, which could weigh against that.

So, all put together, what we know for sure is that Aurangabad will come on stream. Others, it's difficult to speculate on movement in commodities, movement in freight and other things, which are all moving targets.

**Chetan Vora:** I agree, sir. Thanks for the explanation.

**Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to the management for the closing comments.

**Anil Gadodia:** So, Navneet ji, would you like to give the closing comment?

**Navneet Saraf:** Sure. So, thank you, everybody, for participating in this conference call on the Technocraft Q2 Earnings. We truly appreciated your interest and the questions that you have asked. I hope you have now got a better understanding of where the company stands and prospects in the future. Please be rest assured that we are always available to answer further questions at any time. And we look forward to future calls in the future. Thank you, everybody.

**Moderator:** Thank you. On behalf of Systematix Institutional Equities, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.