

SHILCHAR TECHNOLOGIES LIMITED



Date: 28th October, 2024

**To
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400 001**

Script Code: 531201

Sub: Transcript of the Conference call with Investors / Analysts pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 we hereby enclose the transcripts of investors meet held on 25th October, 2024 at 04:00 PM post announcement of financial results for the second quarter and half year ended on 30th September, 2024.

Kindly take the same on record and acknowledge the receipt.

**Yours faithfully,
For Shilchar Technologies Limited**
Mauli Rushil Mehta
Digitally signed by
Mauli Rushil Mehta
Date: 2024.10.28
11:11:23 +05'30'
Mauli Mehta
Company Secretary & Compliance Officer

Encl: As Above



Shilchar Technologies Limited
Q2 & H1FY25 Earnings Conference Call
October 25, 2024



MANAGEMENT: **MR. ALAY SHAH**
MANAGING DIRECTOR

MR. AATMAN SHAH
MANAGER - OPERATIONS

MR. PRAJESH PUROHIT
CHIEF FINANCIAL OFFICER

Moderator:

Welcome everyone, good evening and thanks for joining this Q2 & H1FY25 earnings conference call of Shilchar Technologies Limited. The investor updates have been uploaded on the stock exchange and on the company website. In case anyone does not have a copy, please feel free to write to us and we will add you to our email list.

To take us through today's results, we have with us from the management team, Mr. Alay Shah, Managing Director, Mr. Aatman Shah, Manager – Operations, Mr. Prajesh Purohit, Chief Financial Officer. We will start with a brief opening remarks on the business performance of the quarter and half year from Alay sir and then open the floor for Q&A session. I would like to remind you all that anything and everything that is said on this call that represents any outlook for the future that can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face.

These risks and uncertainties have been mentioned in our annual reports. Over to you, Alay sir.

Alay Shah:

Thank you, Sayam.

I appreciate you all joining us today and I would like to take a moment to provide a brief update on performance for the quarter and half year for the year 2024-25, as well as share some insight into our business outlook. Following my remarks, we will open the floor for the questions.

The demand scenario for transformer industry remains buoyant across key market segments. India's power consumption is on the rise, with the country gearing up to meet this surge in demand through substantial capacity addition in both renewable and conventional energy sources. According to the recent commentary from CEA officials, peak electric demand in year 2026 is projected to reach more than 270 gigawatts and by 2035 it could soar to more than 500 gigawatts. This significant growth in power consumption is expected to drive considerable investment in the transmission sector as well, of which the transformers are a key beneficiary.

Apart from domestic demand, even export demand is looking up. As I have alluded in my earlier remarks, there are significant investments being made in the western market, be it in the existing ageing grid infrastructure or in line with global increase in power consumption. All of this, you know, comes down to a very well demand of transformer for us and at least for the coming few years.

Coming to the company updates, after fully utilising our 4000 MVA capacity last financial year, we have successfully commercialised an incremental 3500 MVA capacity in August 2024, taking our total installed capacity to 7500 MVA. The results of this expansion are already becoming evident. We observed a notable increase in production during September, contributing to both year over year and quarter over quarter growth in Q2.

This higher top line has enabled us to achieve positive operating leverage while maintaining healthy gross margin, resulting in improved EBITDA margin and higher growth in profitability. The new capacity base will be available for utilisation in H2 and we are fully prepared to maximise this potential as capacity utilisation rates increase each quarter going forward. In line with our expanding operation, we are also onboarding and training a significant amount of new talent into the company to meet the requirement of our new set of operations.

We are also streamlining production process at our new plant and effectively ramping up the production capacity. We remain committed to achieving our target of 550 crores during FY24-25 and look forward to fully utilising the incremental capacity in FY26. This can result into a turnover of 750-800 crores.

The demand outlook we are witnessing indicating strong domestic and export inquiries across various applications, including our existing stronghold sectors. We plan to maintain a similar domestic to export revenue mix for the upcoming financial year as well. Overall, we are optimistic about the future and remain committed to achieving our growth objectives while maintaining operational excellence.

Thank you all for your attention. Once again, thank you for joining this call and I now invite you for any questions you may have.

Moderator:

Mr. Yash Gandhi, you may please go ahead.

Yash Gandhi:

Hi Alay Sir. Thank you so much for the opportunity. Am I audible?

Alay Shah:

Please go ahead.

Yash Gandhi:

Yes. Congratulations again on our great set of numbers. So my question was basically, you know, given the demand environment that you're seeing, you know, my question is more about FY27. Do you think that we should, is there a risk of more capacity coming in the next two years or do you think in FY27 as well, there's so much demand potential that, you know, we'll be still able to grow revenues by 40-45%?

Alay Shah:

Yeah. So we are, you know, expecting a demand for coming, you know, next four to five years for sure and once we utilize the full capacity in year 25-26, we will have to increase the production capacity to, you know, meet this demand and for that, you know, we may take a call in coming December or January, whether to go for an expansion, further expansion and at what capacity. So we will be taking a call in next couple of months.

Yash Gandhi:

Right. Right. Okay. Thank you.

Moderator:

Mr. Abhi Jain, you may please go ahead next.

Abhi Jain:

Good afternoon, sir. Am I audible?

Alay shah:

Yes. Go ahead, please.

Abhi Jain:

Sir, just a hygiene question. Any plans on getting the share listed on NSE as well? It's just currently listed on the BSE, right?

Alay Shah:

Yeah, we are seriously thinking on this line also. Of course, decision has not been taken, but we will be again taking decision, you know, maybe next quarter.

Abhi Jain:

Okay. Sir, just a follow up question. And this is basically on the business demand that you're seeing. Just wanted to segregate in terms of the demand that you're seeing for FY25 and FY26. Would you break the demand in terms of whether it's consistent, you know, across your exports and domestic or whether you're seeing a higher demand in domestic? And, you know, what sort of players or what sort of customers are these repeat orders, repeat customers? Are you seeing, you know, newer customers enter into the market? Because I just wanted to understand what are the dynamics of the market, this ever-evolving market, this huge demand that is going in. Just want to understand how sustainable this is.

Alay Shah:

So we are mainly catering the renewable energy sector and because of this government push for more and more production of, you know, electricity by way of renewable energy, we are, you know, expecting huge demand in coming few years. And that is the only sector which we are serving. The demand in local market is going to increase quite a bit and even in export market, as I said in my opening remark, that those export demand is also increasing quite a bit. But if you are, you know, I mean, talking to me on the sure shot of demand growth, I am bullish on the domestic market.

Abhi Jain:

Thank you. Thank you so much for your time, sir. Have a good day.

Alay Shah:

Thank you.

Moderator:

We'll take the next question from Naman Parmar.

Naman Parmar:

Hi. Good afternoon, sir. Congratulations on a good set of numbers. So first question is on my macro side. So how has been the lead time over the export market? You have seen in previously the lead time has been increased from one year to two years.

Now currently you are seeing the similar type of lead time or what has been in the macro or export market?

Alay Shah:

No. So our biggest strength is our quality, our service, our brand value and our lead time. And our lead time to our customer has not increased much. So that is the main advantage which we have, which, you know, customer finds it attractive and they prefer us over our competitors.

Naman Parmar:

No, industry wide also there is not increase in the lead time. It has remained at the similar level or it has decreased?

Alay Shah:

It has not decreased for sure, but it has increased slightly. It's nothing major. I would say like instead of, you know, 12 weeks now, it has become 14 weeks, 13 or 14 weeks, something like that.

Naman Parmar:

OK and secondly, how much contribution would be of the IDT or renewable transform in the overall revenue around 80, 90 percent?

Alay Shah:

I would say almost 60 percent.

Naman Parmar:

And lastly, on how has been the CRGO supplies? There has been any issue on that side in procuring the CRGO lamination and pour out?

Alay Shah:

So there are some issues going on with CRGO imports, which is related to the BIS approval. But material is available and we are not facing any problem in sourcing this material.

Naman Parmar:

So if you see, if you backward integrate more on the radiator tanks or all that in the in-house only. So don't you think you can also increase margin from here also? Even though you have shown a good set of margin, but do you think that more backward integrated you can do?

Alay Shah:

We can always do backward integration, but it depends on the kind of model which we want to adopt. I think for now, we would like to concentrate on, you know, producing transformers rather than anything else. So we don't have any plan at present for any backward integration.

Naman Parmar:

OK. Yeah. Thank you so much for answering all the questions. Best of luck for the future.

Alay Shah:

Thank you.

Moderator:

We'll take the next question from Mr. Vivek Gautam.

Vivek Gautam:

Hello. Am I audible?

Alay Shah:

Yes, please go ahead.

Vivek Gautam:

Hello, Vivek Gautam this side. Sir, I wanted to raise some questions on the sustainability of the growth and the expected opportunity size and total addressable market, sir.

Alay Shah:

So, like I said, I mean, there is a lot of demand of transformers right now.

Vivek Gautam:

Hello

Alay Shah:

Can you hear us? Vivekji

Moderator:

We'll take the next question from Mr. Arjun Agarwal.

Arjun Agarwal:

Am I audible, sir?

Alay Shah:

Yes, please go ahead.

Arjun Agarwal:

Good afternoon, sir. Congratulations on a good set of results. Sir, I have got a couple of questions. The first question is, sir, can you just give a bit of light on what is our kind of share if you can give any data in renewable projects, like, and what kind of MVA we envisage for like per year, like if we, if we install, if India install 30 gigawatt of solar annually, so what kind of MVA do we envisage as a TAM for renewable in India?

Alay Shah:

Yeah, so, I mean, India targets almost 25 to 30 gigawatts every year. And practically, I think about 15 to 20 gigawatt is what gets installed every year. Now, we have right now with the additional capacity, 7,500 megawatts of transformer, which is like 7.5 gigawatts. And out of that, almost 60% is, you know, for renewable energy. So that is what our, you know, contribution to the renewable energy sector.

Arjun Agarwal:

Okay. And so, regarding the capacity expansion, so what is the maximum capacity that we can, and that we are, that we are looking up to from the existing facility, means from the existing land parcel that we have available, that is available?

Alay Shah:

Yeah, so, I mean, in terms of MVA, we can have install capacity of almost 25,000 to 30,000 MVA. If we utilize the complete land parcel, what we already have right now.

Arjun Agarwal:

Okay. Okay, sir. And one last question is, sir, in your product, in your products, in the presentation, I have gone through the products, and there was one 132 kV hydro transformer. So, the same transformer will be, if it allows, can be used into pumped hydro projects?

Alay Shah:

Yes, it can be used. Okay.

Arjun Agarwal:

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

Moderator:

We'll take the next question from Mr. Amit Kumar. Mr. Amit Kumar, please go ahead.

Amit Kumar:

Yeah, thank you. Thank you, sir. Congratulations for the good set of numbers, sir.

Sir, I just wanted to know, like, if you can provide the bifurcation, like, how many, I will go into the company details, how many transformers we sold in H1, like, linear, telecom, and R4, standard line, high frequency, toroidal, controlled, HVCHO. Is it possible to give that kind of bifurcation?

Alay Shah:

No, it would be extremely difficult because there are too many varieties, but we have basically, you know, two segments. One is the electronic and telecommunication transformer, which includes all these high frequency, toroidal, R4, linear transformers, and so on and another category is, you know, distribution and power transformer, which includes all renewable energy distribution substation transformers. So, our electronic and telecommunication transformer division is a very small part of our total sales. It contributes less than 5%. So, all the rest is coming from the oil pool distribution and power transformers.

Amit Kumar:

And, sir, what is the export percentage of revenue in H1, and if you could provide the geography-wise allocation, like, North America, Europe, Middle East, Africa, just any insight on this?

Alay Shah:

So, I think almost 45% of our sales came from export, and we are mainly exporting to North American countries like US, Canada, and Middle East countries.

Amit Kumar:

Okay, and would you like to provide some guidance for the next five years? Volume and top-line guidance?

Alay Shah:

So, I mean, it's next year for, like I said in my opening remark, for year 2025-2026, once we fully utilize our production capacity, we can do a turnover of about 750 to 800 crores. But going forward from that point onwards, if we have to increase the sales, we'll have to put up new capacity, and for which we will be taking decision in next two months for the further expansion and at what capacity and what rating.

Amit Kumar:

Thank you very much. All the best.

Alay Shah:

Thank you.

Moderator:

We'll take the next question again from Mr. Vivek Gautam. Mr. Gautam, please go ahead.

Moderator:

We'll take the next question from Mr. Yash Sinha.

Yash Sinha:

Hi, congratulations on a great set of numbers. I had two questions.

Broadly wanted to understand the split in margin profile between your domestic orders and your export orders. And the second one was more of an industry question. Looking at your competitors, they operate at significantly lower EBITDA margins. So just wanted to understand how you guys are able to do say north of 25% EBITDA margins consistently.

Alay Shah:

So, of course, I mean, I cannot share the exact numbers of profitability, but export sales have much more, you know, margin than the domestic sales. Though domestic margins are also improving because of the higher demand. Why we make more profit compared to our competitor is because we run a very efficient operation. We have low overheads. We do not have any finance cost. So these are some of the, you know, reasons why our profitability is on a higher side.

Yash Sinha:

Understood. Just following up on this.

In the last year, you guys took about six months to get the new Capex up and running, right? You mentioned that about two thirds of your land parcel is still available. If you notice that the demand is picking up, what would be the turnaround time in setting up, say, increased capacity on the remaining land?

Alay Shah:

So, again, I mean, we will be taking a call in the next two months, but it all depends on what kind of capacity we are installing. But in our case, it is very fast. So, suppose that we decide on setting up a 5,000 MVA new capacity, we can, you know, up and running in less than one year. Okay. Okay.

Yash Sinha:

That's helpful. Thank you, guys, and all the best.

Alay Shah:

Yeah. Thank you.

Moderator:

We'll take the next question from Ashish Urganwal.

Ashish Urganwal:

Can you hear me?

Alay Shah:

Yes, we can hear you.

Ashish Urganwal:

Yeah. Yeah. Thank you for this, sir.

So, there was a question earlier about the current demand is very good versus the supplies and supplies are catching up probably. So, any insights on I mean, the supplies that are coming and what sort of demand environment that you see for the next two, three years, because these kinds of margins, I think, on domestics

are possible when the supply side is constrained. So, your views on how this would go will be very helpful, actually.

Alay Shah:

Yeah. So, demand, like I said, is increasing, and it will continue to increase as according to my estimate. And I think for the next four or five years, we'll be having a very robust demand of this kind of transformers and this will continue to give us the good margin. Of course, everybody is expanding capacity and I think once they come in the market with their expansion, I think there will be some price pressure, but still the demand will be on higher side.

So, I would say that going forward, there will be some pressure on the margin, but at the same time, it won't be that low that there will be a problem or there will be a substantial reduction in EBITDA or in the net profit.

Ashish Uppanwal:

Sir, when do you see this supply catching up? Because you are in the industry, so you would know who is putting how much and there would be a kind of a match between the supply demand. Is it like 26 or is it away from there also, 27, 28, given the opportunity in the market overall?

Alay Shah:

I would say that, you know, from last quarter of year 25, 26, the new capacity will start coming into the market. That's what my estimate is.

Ashish Uppanwal:

Okay. And sir, on the export side, that's another thing which probably can hedge the overall pricing and margins. So, since you are already exporting 50% of your turnover, can you spell out for us how is that opportunity? Is it pretty near term or is it kind of a very substantial opportunity, which is a continuous one for us? Is it too big?

Alay Shah:

Yeah. So, export demand has also increased and it is continuing to increase. There is a lot of demand in the export market as well. So, I personally feel that it will also continue to grow.

Ashish Uppanwal:

Okay. So, if there is maybe oversupply in the domestic market, exports is big enough to absorb that. Is it right to say that?

Alay Shah:

No, I think there is a lot of demand in domestic market. So, you cannot say right now that there is a oversupply.

Ashish Uppanwal:

No, not right now, sir. Maybe two years down the line when capacities just keep flooding in domestic market. That's what I have to say.

Alay Shah:

It is very difficult to say right now. Very, very difficult to say.

Ashish Uppanwal:

Okay. Okay. But for the next 12 to 18 months, the margins like 25% plus, you see that these can be maintained probably.

Alay Shah:

Yes, we are quite confident on that. Okay.

Ashish Uppanwal:

Okay. Okay, sir. Thank you.

Alay Shah:

All right. Thank you. Thank you.

Moderator:

We'll take the next question from Mr. Chintan Shah.

Mr. Chintan Shah:

Hi. Thank you so much for the opportunity.

So, I have two questions. So, one is you explained on the supply side, but I just wanted to understand in terms of capacities that are coming in. Is it majorly from the existing customers or existing players who are there in the industry or you see that there are new players are entering as well? And secondly, from a customer point of view also, if you can help us understand, I mean, how so to say inclined they would be to just to stick to the current suppliers or they would be willing to go to some new suppliers as well. So, if you can explain that.

Alay Shah:

So, major production capacity increases coming from the existing suppliers and there are new entrants also, but Transformer is a very important product for any project. So, customer always prefer to buy from the established existing supplier who has a very good track record. So, they will always get a preference over the new entrant. I mean, there is this is sort of like an entry barrier for the new supplier because without having a trial, without taking, you know, having a track record, nobody would trust for such an important, you know, product and for project. So, of course, the existing suppliers will have a preference going forward.

Mr. Chintan Shah:

Understood. And one of our large peers, I mean, we're not present in this renewable identity Transformers that we do. So, they are adding a huge capacity, which is coming in December, I believe. So, you think that can change the industry scenario in terms of margins as well as the demand supply imbalance?

Alay Shah:

I don't think so. I mean, because there is a lot of demand right now, I don't think there will be any impact on any, you know, orders or any margins, at least not for coming, you know, couple of years.

Mr. Chintan Shah:

Okay, got it.

Understood. And one last question from my side, I mean, did we ever consider to do a larger size Transformers, which are also required or we would stick to the current size of Transformers that we do? And if so, can you just explain, I mean, how easy or difficult it is to get into that segment?

Alay Shah:

So, right now, we have no plan to make any, you know, bigger or higher rating of Transformer. We would like to concentrate on the present product range, what we have, considering the demand. But going forward, then anything can happen. It all depends on the market scenario.

Mr. Chintan Shah:

Okay, got it. Understood. Thank you. That's all from my side.

Alay Shah:

Thank you.

Moderator:

We'll take the next question from Akshay Shah.

Akshay Shah:

Thank you for the opportunity, sir.

Sir, in the last AGM, we have mentioned that we have got, we have received one order from Europe. So, what is the opportunity size in that market?

Alay Shah:

So, European market is also very good, especially for renewable energy projects. And we had never, you know, concentrated on European market. We were more focused on the North America and Middle East. Now, we have started putting efforts in European market and we have got a breakthrough recently. So, I'm sure that slowly, slowly that market will get developed and we'll continue to get, you know, more and more orders from there.

Akshay Shah:

Okay. And sir, we see more demand from domestic side and domestic side margin is lesser. So, can it impact our margin going forward in at least one year?

Alay Shah:

No, like I said earlier, I mean, we are quite confident to maintain our, you know, margins, at least for next couple of years.

Akshay Shah:

Margins of 30%?

Alay Shah:

Yes, whatever margin we are having right now.

Akshay Shah:

Okay. Thank you, sir.

Moderator:

We'll take the next question from Gunjan Kabra.

Gunjan Kabra:

Hello. Hi, Alay. Thank you so much for the opportunity. So, one question, technically, I wanted to understand that, for example, right now the demand for transformers have increased because suddenly there is, you know, energy transition happening and additional power demand and all of that. So, if 100 gigawatts have got installed, so the, suppose this, the huge demand is because of the new 100 gigawatts of solar getting installed, then next if, you know, 100 gigawatts get installed, then the incremental demand for the transformer industry will slow down a bit or how does that happen?

Alay Shah:

So, I mean, like I said earlier, the government is pushing for more and more renewable projects and the target is 25 gigawatts every year right now, which is not happening, but the actual installation is almost like 15 to 20 gigawatts every year. So, this will continue for next, you know, five, seven years and probably it will increase also going forward. So, demand will continue to be there for next few years.

Gunjan Kabra:

So, now this incremental demand will come in, that is, the target for solar is there, so the incremental solar installations will happen, but for the transformer demand, I'm asking, with first 100 gigawatts of installation versus the incremental increase in solar installation, I'm asking, then the demand for transformers will increase at the same rate or it will taper down a bit?

Alay Shah:

No, so I think in renewable projects, especially in solar or wind, whatever you are installing, that many gigawatts of transformer you will require to install that capacity. So, if you are installing, say, 10 gigawatts, you need 10 gigawatts of transformer. If you are installing 25 gigawatts, you need 25 gigawatts of transformer. So, there is no incremental or anything. Whatever you install, that many transformers are needed.

Gunjan Kabra:

Okay, so it's one-to-one thing, okay.

Alay Shah:

Yes, exactly.

Gunjan Kabra:

Second, I wanted to ask that last one or two weeks back, Power Ministry actually came up with this thing of CRGO shortage and asked the transformer companies to also tell them that, you know, because of all this additional demand that is coming in. So, you mentioned that you don't have any issues in sourcing it then, but is there a problem in the industry level side or what was this circular all about?

Alay Shah:

Yeah, so there is a restriction of BIS for the import of CRGO and that has created a temporary shortage. Now, the material is available, only thing that prices have gone up slightly and in our case, since we do a lot of export, we can always import CRGO against the advance license. So, we are not impacted with this kind of shortage.

Gunjan Kabra:

No, but industry level, is there a scarcity because of the circular that came in or because we have tie-ups that is why there is no shortage for us?

Alay Shah:

There is no shortage in the market right now. CRGO is available, only thing that prices have gone up slightly, that's it.

Gunjan Kabra:

Okay, and if you can explain the supply dynamics in the Europe and US and Middle East countries that how much are they looking forward to India as a sourcing destination or in terms of their own demand situation like how much are they sourcing it domestically only and how much are they looking forward to import?

Alay Shah:

So, in foreign countries, to enter into the market and gain the customer confidence, it requires a lot of hard work and you really need to put in a lot of efforts. I mean, we have been in this market since last 10 years and we have done a lot of efforts. Now, customers trust us with our service, with our quality and everything and that is the reason now we have started enjoying goods. But for any new entrant, it would be very difficult. It will take a lot of time for them to penetrate.

Gunjan Kabra:

That is true, but how much are they looking forward to India and then you will be the biggest beneficiary because you have worked for 10-12 years in this space to get export certificate and supply to them. But is there an opportunity like how their demand supply is governed right now? Are they having their own domestic sourcing or they are looking forward to India or China is what I wanted to know.

Alay Shah:

So, every country has a local manufacturer. So, you are competing against them and you have to be better in terms of price, quality, service, lead time, everything. Only then you will get an opportunity and there is nothing like India focus or China focus. I mean, customer has to have a comfortable, they have to be comfortable with you and they should be able to trust your product and then you will get the orders. Very simple.

Gunjan Kabra:

Got it. So, we are keeping 50-50 as our domestic and export targets for next 2-3 years also?

Alay Shah:

Yes, I mean it can vary like I would say 60-40 or 40-60 something like that, but pretty much in that ratio only.

Gunjan Kabra:

Very much in that ratio. Okay. Got it. Thank you so much and good luck to you.

Alay Shah:

Thank you.

Moderator:

We will take the next question from Yogesh Sarod.

Yogesh Sarod:

Hello. Thank you so much. Thank you for the opportunity.

Congratulations on the great set of numbers, sir. Sir, few things I wanted to understand from the industry specific as well as company specific. One is, sir, per MVA realization, what can we quote as per MVA realization?

Alay Shah:

In our case, it is roughly 10 lakhs rupees.

Yogesh Sarod:

Roughly 10 lakhs, okay. Got it. And sir, about the capacity that we just increased, how much is the utilization for the older capacity and the newer if you can talk in that term and then when will be, how will be ramping up the production on the newer capacity?

Alay Shah:

I think I already said this in my opening remark. I mean, the old capacity we are fully utilizing. The new capacity we started utilizing from month of September only and we are expected to utilize fully in year 2025-26. Yeah, yeah.

Yogesh Sarod:

So, okay. Okay. Got it.

And sir, the growth guidance that we have for the 550 for this year and then for the next few years. So, on the volume terms, we are considering only the volume growth. Sir, on the price side, do you expect any price fluctuations to come in future or how does the pricing work in here? If the copper prices increase, are they then passed directly to the customers or you will enjoy the margins expansion?

Alay Shah:

No.

So, all the orders what we received is at fixed price and we have to hedge our risk which we do it very efficiently and we don't take any risk. I mean, as soon as we get the order, we book the raw material. So, we are not concerned with the deviation in the commodity prices.

Yogesh Sarod:

Perfect. Perfect. And sir, for this whole half-yearly sir, have you added any new logos, new customers or all this demand is coming from the existing customers only?

Alay Shah:

So, majority of our customers are repeat customers but we do add new customers as well. But right now, the priority goes to our existing customers only. Got it. Got it.

Yogesh Sarod:

And sir, if I can ask one more question.

Alay Shah:

Sorry?

Yogesh Sarod:

If I can ask one more question.

Alay Shah:

Yeah, sure. Go ahead. Sir,

Yogesh Sarod:

What we are saying is we are currently focusing only on the renewable transformers. So, on the power transformer side, so what would be the size of the transformer that we are catering to in the MVA terms for the solar and do we see that when we go towards the higher MVAs, do we see any margin benefit over there and would we like to exploit that?

Alay Shah:

So, right now, we have no plans to go for higher MVA transformer. Whatever, you know, install capacity what we have, we would like to, you know, continue and cater transformer in that segment only.

Yogesh Sarod:

So, 5 and 50 MVA, 33, 122, 132. Is that the one that we are currently building?

Alay Shah:

Yeah, we, I mean, in solar, it's about 17, 18 MVA transformer, 33 kV or 66 kV class.

Yogesh Sarod:

Okay. Okay. And the margin is straight similar in all of them or the margin also varies across these?

Alay Shah:

Yeah, pretty much.

I mean, again, it depends on the demand, depends on the specification, depends on the customer.

Yogesh Sarod:

Got it. Got it. I think that answers all my questions, sir. Thank you so much.

Alay Shah:

Thank you.

Moderator:

We'll take the next question from Mr. Venkatesh

Venkatesh:

Hello. Hello, sir. Hello.

Alay Shah:

Yes, I can hear you.

Venkatesh:

Thank you for taking my call. I just wanted to ask one question. Are you anticipating any risk?

Alay Shah:

Business is always a big risk, but right now, I think everything is looking good. I don't expect any major, you know, risk at the moment.

Venkatesh:

Thank you, sir. That answers my question. All the best.

Alay Shah:

Thank you.

Moderator:

Next question from the line of Mr. Gunal Bansal.

Moderator:

Mr. Bansal please go ahead.

We will take the next question from Mr. Rakesh.

We will take the next question from Mr. Sarvesh Wode, Mr. Sarvesh please go ahead.

We will take the next question from Mr. Abhishek Jain. Mr. Jain please go ahead. Please unmute and go ahead, Mr. Abhishek Jain

We will take the next question from Chinnai Upadhyay, Mr. Upadhyay please go ahead.

We will take the next question from Mr. Bhavin Solanki.

Bhavin Solanki:

Hello.

Alay Shah:

Mr. Bhavin Solanki please go ahead.

Bhavin Solanki:

Sir, like a participant asked earlier, my question is similar to that.

But I could not understand at that time. If a 100 MW park is being built, then a substation will be installed nearby to evacuate the power. So, if the capacity of the substation, the transformer there, I wanted to understand that the capacity of the transformer, if someone has installed 100 MW, then the required transformer size for that will be the same. Accordingly, some extra transformer size can also be installed. In future, if another solar park is installed nearby, then the power will not have to be evacuated from there, a new infrastructure will not have to be built from the angle of the substation. So, how does this work?

Alay Shah:

Okay, I will explain you. So, basically we make IDTs. We don't make the substation transformer. So, that's what I explained that if there is a solar park of say 2 GW, then it requires 2 GW of IDT, inverter duty transformers. That is what we supply. Then there is a substation. Substation depends on how many such parks are over there, whether they have any future expansion plan or anything and based on that, they can decide and put up a right capacity of a substation transformer. Now, those substation transformers are called basically a big power transformers, which are in range of 100 MW or 200 MW and so on.

Bhavin Solanki:

Okay, got it. Thank you. That is it for my side.

Moderator:

I will just throw out the questions which are there in the chat box. We have expected some capacity stabilization. Are all those behind us and can we expect 100% utilization?

Alay Shah:

Yes. So, I mean, we will be utilizing a major capacity since we have a lot of orders on hand. We will try and utilize the full capacity in Q3 and Q4 as well. But obviously, with any new production capacity, there might be, you know, a lot of teething troubles.

But if we are able to gear up the production fast, yes, we will be, you know, utilizing full capacity in Q3 and Q4.

Moderator:

We will take the next question from Mr. Naman Parmar.

Naman Parmar:

Yeah, thank you for the follow-up question. Just wanted to know what is the current order book?

Alay Shah:

We have an order book of almost 450 crores right now.

Naman Parmar:

And is it executable in how much time?

Alay Shah:

I would say by next six to nine months. Nine months.

Naman Parmar:

Okay, that's it. Thank you.

Moderator:

We will take the next question from Mr. Waseem Ahmed.

Mr. Ahmed, please go ahead.

Mr. Ahmed:

Am I audible, sir?

Alay Shah:

Yes, please go ahead.

Mr. Ahmed:

Sir, actually, I wanted to understand what portion of the total solar installation cost this IDT is?

Alay Shah:

Sorry, can you repeat it again, please?

Mr. Ahmed:

Sir, suppose solar installation is going on and that full cost is 100 crores. So, what portion of that cost goes to this IDT transformer?

Alay Shah:

Ah, very difficult to say because it varies from project to project. That depends on the, you know, site condition, the land cost, the panel cost, inverter cost, and so on. But I would say that transformer cost would be maybe around 15 to 20 percent. Very difficult to say. I'm just giving you a very rough estimate.

Mr. Ahmed:

Oh, okay, fine, sir.

Moderator:

We will take the next question from Jehan, Please go ahead.

Jehan:

Sir, if you can provide some clarity on the competitive intensity in our segments where we operate less than 66 kV, especially on the IDT side, and are there any unorganized players here and how many players would there be overall in India?

Alay Shah:

So, I would say that, you know, in organized sector, there are maybe around, you know, good 15 different suppliers. But then there are a lot of small suppliers who cater to these small projects or small solar projects. And that number can be anywhere between, you know, 20 to 25, 30 suppliers all over India.

Jehan:

Okay. And so secondly, if you can provide the revenue breakup, let's say ballpark between captive users, you know, and how much is being, you know, demanded by utility scale, private producers and any particular industries which are driving growth?

Alay Shah:

So, we are supplying mainly to renewable energy sector. We don't supply any transformer to state utility companies. I said earlier that, you know, almost 60 percent of our sales come from the renewable energy transformers and the balance comes from either export or distribution transformers.

Jehan:

Got it. Got it. Thank you.

Moderator:

Thank you. That was the last question for the day. I will now handover to Mr. Alay Shah for closing remarks.

Alay Shah:

Yeah, thank you everyone for participating and it was nice talking to you and we look forward to, you know, having similar call in the future. Thank you once again.