

PERMANENT MAGNETS LIMITED



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Date : 13th November, 2023

To,
Corporate Relation Department
The Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001

Security Code : 504132 Security ID : PERMAGN

Sub: Transcript of Conference Call with reference to the Unaudited Financial Results for the quarter and half year ended September 30, 2023

Dear Sir/Madam,

Pursuant to Regulation 30 & 46 of the SEBI (Listing Obligations & Disclosure requirements) Regulations, 2015, we are enclosing herewith a copy of the Transcript of Conference call conducted on November 10, 2023 to discuss the Unaudited Financial Results of the Company for the quarter and half year ended on September 30, 2023.

The above information is also available on the website of the Company i.e. www.pmlindia.com

Request you to kindly take the same on record.

Thanking you,

Yours Faithfully,

FOR PERMANENT MAGNETS LIMITED

RACHANA RANE
COMPANY SECRETARY

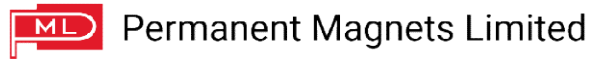


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(All correspondence has to be made at our Mira Road address only)

CIN-L27100DN1960PLC000371





“Permanent Magnets Limited Q2 & H1 FY24 Earnings Conference Call”

November 10, 2023



**MANAGEMENT: MR. SHARAD TAPARIA – MANAGING DIRECTOR,
PERMANENT MAGNETS LIMITED
MR. SUKHMAL JAIN – SENIOR VICE PRESIDENT &
CFO, PERMANENT MAGNETS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Permanent Magnets Limited Q2 & H1 FY24 Earnings Conference Call.

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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sayam Pokharna from TIL Advisors Private Limited. Thank you and over to you sir.

Sayam Pokharna: Thank you everyone for joining in today.

Wishing you all a very Happy Dhanteras and greetings of Diwali from everyone at TIL.

So to take us through today's results, we have with us Mr. Sharad Taparia – Managing Director, Mr. Sukhmal Jain – Senior Vice President and Chief Financial Officer.

We will be starting with a brief overview of the company's performance for the quarter and for the H1 FY24, followed by a 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 which 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 detailed in our annual report.

With that, over to you, Sharad sir.

Sharad Taparia: Yes, thank you, Sayam. Wishing everyone a very Happy Dhanteras and Happy Diwali. And I welcome you all to the quarter 2 and the first half financial year 24 earnings call of Permanent Magnets Limited. Thank you all for taking out the time to attend this call. It is a pleasure to address you all today and walk you through our performance for the quarter and for the half year.

Our topline grew by 18% year-on-year this quarter thus reaching Rs. 54 crores. Growth has been reported on a half yearly basis with 21% year-on-year growth and first half 24 topline of Rs. 97 crores. In quarter 2, margins reduced slightly on account of product mix. There has been investments made by the company in plant and machinery and you will also see this trend in the second half of financial year 24 given the projects we have in the pipeline. These investments have led to some increase in current costs and the benefits of which we will yield in financial year 25 and beyond.

Regarding quantum magnetic subsidiary, we are in the final stages of commissioning the manufacturing facility which is expected to be operational by end of financial year 2024. The

results from this project will be seen in the coming financial year. The subsidiary will be manufacturing electronic applications initially. Regarding energy meter, the demand in this sector for some products has increased and we are seeing increased orders regarding this.

On the EV side, there are some push outs of orders. There is some concern about slowing growth rates of EV worldwide. We remain agile in evaluating and responding to these changing market dynamics.

Our outlook for the rest of the financial year remains positive. We are in the process of enhancing PML's capabilities and this should present good opportunities for PML in the coming years.

Now, I would like to open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Jain from Credence Wealth. Go ahead.

Rahul Jain: Thank you for opportunity and congratulation Sharad ji for a good performance Considering the environment is quite tough, we have reasonably done very well on the sales growth and last two years, the journey has been really good. So coming to the question, sir, first with regards to the commentary which you talked about, both in your initial remarks and the press release about the domestic energy market. So in general, we have been always trying to understand the opportunity of energy meters, and you have always mentioned that there are talks and on the ground, the situation has not been changing or there is some time for on the ground action to happen. Plus, with regards to margins, you have been always adding your concerns. So, with respect to both these aspects, now if you could share your views to what is happening now on the ground and also the margin part?

Sharad Taparia: Yes, sure. So, regarding your first question about the energy meter, demand, the situation on the ground, we believe that it is improving and the government tenders, they are getting executed by the companies who have won these tenders and we are seeing a slight increase in the demand for our products. So, we believe that this trend is going to continue. And regarding the margins which you mentioned that depends on the product mix, see most of our products are customized products. So sometimes when the sale of lower margin product is higher, then overall the margin looks to be lower. So, but otherwise we are not very much concerned about this overall margin levels. In the second quarter, the local sales were more than the comparable sales to the last year second quarter. And that is why you see a slight difference on the margin. In generally, export margins are better.

Rahul Jain: So the margins are lower because of the domestic business?

Sharad Taparia: Domestic business in the second quarter was 42% as compared to only 30% in the quarter 2 of 2022-23.

- Rahul Jain:** And what is the overall potential you are seeing in this domestic business of energy meters?
- Sharad Taparia:** The total replacement program of the government is about 25 crore meters. So there is a big potential. We are now evaluating what products we can do. Some products are already going on for which we have received increased demand, but others we are evaluating. So there is a good potential.
- Rahul Jain:** Thanks sir, but regards to the alloy part, we have generally always mentioned about diversifying and de-risking from being purely application-wise on the automobile side and the smart meter side. So you seem to have taken this step in terms of setting up two furnaces and made some CAPEX towards that. And further you also mentioned in your initial remarks that there will be further CAPEX in the second half. So what is the total CAPEX assigned to the alloy part? And what kind of opportunity do we see in this segment?
- Sharad Taparia:** Yes. The broader principle that we are operating is we are a capabilities based company, not a product based company. So we are expanding our capabilities and casting is one of the capabilities. Therefore, we are ventured into the alloy space. And already, 2 furnaces have been commissioned. We have installed these furnaces. We can now produce alloys using the vacuum induction process. One more furnace for ribbon manufacturing is under installation, which will happen maybe in another 2 months' time. And the CAPEX that has been done in the alloy space is approximately Rs. 8 crore.
- Rahul Jain:** So Sharadji, you mentioned that the CAPEX on this furnace is totally for the entire segment will be Rs. 8 crores. So the question was, see, this will typically result into what kind of revenue potential or what kind of asset turn is possible in the alloy part. And also, the margins in this particular application, this particular capacity will be near around 22% or somewhere higher or below this?
- Sharad Taparia:** Here, there are 2-3 methods by which customers take the alloy. In some cases, the customer wants us to buy raw material and produce the alloy. In some cases, they provide the material and we only do job work. So the margin is completely different. When we do job work, the cost to the margin will be much higher and in case of raw material, the margin will be lower. I can't give you an exact answer to that right now and also the revenue also depends on what kind of alloy we will produce. So we are targeting nickel, cobalt, molybdenum, super alloys, these type of alloys we are targeting, the range is about let's say near about Rs. 2,500 to Rs. 5,000 a kilo, something like this.
- Rahul Jain:** I was talking about not just for next year, but overall the revenue potential of this segment can be somewhere around what kind of ballpark number if you could share?
- Sharad Taparia:** You are talking about the overall long term potential of the alloy total business?
- Rahul Jain:** Yes.

- Sharad Taparia:** It can be quite large. I don't have any number right now. Maybe hundreds of crores.
- Rahul Jain:** My last question is on quantum magnetics. You had mentioned that we are somewhere at the final stage of commissioning a new facility in the next 2-3 months. So what exactly we are planning to do over there? And you have mentioned that we will be having some magnetic assemblies for electronic applications. So if you could share some more details on this particular thing?
- Sharad Taparia:** I can't share about the exact application right now, but it is the magnetic assembly which is for consumer electronics business and we are going to commission it in this financial year.
- Rahul Jain:** Thank you sir for your replies.
- Moderator:** Thank you. The next question is from the line of Manan Poladia from MKP Securities. Please go ahead.
- Manan Poladia:** So my question is specifically on the smart meter side of things. What I wanted to understand is one, if you could give me some sense of what our contribution per smart meter would be in terms of if we have currently the products that we are doing. Secondly, what I want to understand is of our total revenue from last year, what percentage would you say was smart meters and what do you think it can be in the next couple of fiscal years because we've spoken to another listed, I would say vendor of yours who says that they can basically double that smart meter business next year. So I just want to get a sense of what you're thinking in terms of how fast the industry will grow and how fast it will grow for you?
- Sharad Taparia:** The revenue from each smart meter depends on what kind of components we supply. So, the more value addition that we do, higher is the revenue per part. So, if you make an integrated assembly, it's a bigger rupees per piece. So, from customer to customer, it changes. And our first half, about 43% revenue has come from smart meter, electricity meter business. Out of which, smart meter is one of the products.
- Manan Poladia:** Basically what you are saying, just a small follow up on that. Sir, the energy metering order booking has started with all the listed companies that are there. They are showing order books of Rs. 19,000 crore – Rs. 20,000 crore. What I want to understand is what portion of the smart meter orders that are in there, do you expect to be executed in the next couple of years, say? And do you expect all of that benefit to flow through to you as well? Because you make the integrated assembly for them?
- Sharad Taparia:** Currently, we are making assemblies for a few customers only and we are exploring other options for other customers. The total business, the total replacement program of this 25 crore meter, the way originally planned by the government, in our estimates it could take a little longer to implement and it may not happen so fast. Although the order books are there, but they are in a better position to answer how quickly it can happen. But there are challenges on the ground on how they will install the meters. So that is what we are seeing currently.



- Manan Poladia:** Would you be willing to provide what customers you are working within the smart meter segment in India?
- Sharad Taparia:** I would not like to mention the customer names, please.
- Moderator:** Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.
- Dhwanil Desai:** Sir, my first question is, I think in the remarks you talked about some slowdown on the EV side of it. So if you can elaborate on that and how it has impact on our pipeline for FY25, FY26 which we might be thinking will materialize. Will anything you see getting pushed out or kind of stalled, any update on that?
- Sharad Taparia:** So, yes, thanks so much. And see, the overall EV market, there seems to be a slowdown due to concerns about higher interest costs and charging infrastructure and all those reasons internationally. We believe that this could be temporary or maybe I don't know till when it will go on, but we believe that there should be some recovery at some point of time. And going forward in 24-25, 25-26 in the pipeline, there are other projects also which are progressing. So I do not believe in the overall growth and the business of PML, it should have a significant impact. We do not believe that.
- Dhwanil Desai:** Second question, sir, movement from the component to module side, anything, something which is worth reporting, worth talking about in terms of proportion, how do you look at it, are any more confirmed projects, pipelines, which are coming to your way, which will take it from 3%, 4%, 5% to maybe 10%, 12%, 15% in next 2-3 years. Any update on that?
- Sharad Taparia:** Yes, there is progress going on in each of the projects which were, so different projects are at different stages. Some are at, let's say, feasibility. Some are prices already approved. In some cases, we have sent prototypes already to the customers. So different stages are there. And in the last quarter, we have made progress in most of these stages. So in the coming years, we should see an increase in the supply of modules and as a proportion of the business, we should see an increase in the modules business.
- Dhwanil Desai:** That is true. And one more question I will come back in the queue is on the quantum magnetic. So I think you've talked about something which will get commercialized or commissioned soon. But any sense on CAPEX, margin, revenue potential, if you can give some sense and eventually, I think the dream plan is to kind of bring more and more components of supply chain into the subsidiary. So any thoughts or progress around that, if you can talk about that?
- Sharad Taparia:** So far, this is actually a business where we are going to make assemblies out of magnets, particularly neodymium magnets. And then the phase 2 will be to manufacture the neodymium magnets itself and then we have entered into an MoU and we are working on the JV project for that. So in the phase one, we have invested Rs. 4 crore so far, for which the assembly business will and maybe a few more crore rupees will be spent in the coming months and the assembly

business will start. And then phase 2 will happen after we sign the JV and then much more CAPEX will be done to produce the neodymium magnets, that is the plan.

- Dhwanil Desai:** So my question is that currently the JV partner is not putting in any money. Only PML is putting in money. That's the right impression?
- Sharad Taparia:** Yes.
- Dhwanil Desai:** Sir, any sense on revenue for whatever money that you're putting in, revenue, potential, margins? Any sense on that?
- Sharad Taparia:** That we cannot comment on right now. It will depend on how fast the ramp up will happen. But the main revenue is expected in the year 2024-25. Just like an estimate of an approximation with the current investment that we have done, the range can be maybe about, let's say about Rs. 7 crore to let's say Rs. 15 crore, something like that.
- Dhwanil Desai:** With the Rs. 4 crore investment that we have done so far?
- Sharad Taparia:** So far for the investment that we have, yes.
- Moderator:** Thank you. The next question is from the line of Utsav A who's an individual investor. Please go ahead.
- Utsav A:** My question is regarding smart meters again, just a follow-up on the earlier participants. Are we seeing any increase in competition for manufacturing of relays or other products which go into making smart meters given the large order opportunity?
- Sharad Taparia:** There are some companies who are setting up, as we understand, they are setting up manufacturing of relays, but currently the maximum number of relays are getting imported into India.
- Moderator:** Thank you. The next question is from the line of Vivek Seth, who is an individual investor. Please go ahead.
- Vivek Seth:** Sir, one thing regarding this neodymium sourcing, so there is a critical mineral, China has probably supplies. So, do we have secure supplies for neodymium since you are going ahead with this Quadrant MoU?
- Sharad Taparia:** See, 90% of the reserves are in China and India also has reserves. IREL is the company which supplies the ore and concentrates the oxalate. And we have had discussions with them and government of India is keen that Indian companies should set up and they will support by way of raw material. But however, our plan is that we will not depend on a single source, we will keep multiple sources of raw material, international as well as domestic. That is the plan.



Vivek Seth: One more question. With this Tesla entering into India, are you seeing any business opportunities?

Sharad Taparia: There are opportunities with Tesla coming into India. There will be opportunities for PML.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: So my first question was on the energy meter side, especially on the domestic side. So we normally in our earlier calls and interactions have indicated that the domestic market on the energy meter side, the kind of margins offered by some of our customers is not as per our expectations. But now, as mentioned in our initial comments and in the presentation, we are seeing good traction on the domestic energy meter side. So, has there anything that has changed and because of increased orders as well as some restrictions on imports, we are seeing like these customers offering a higher margin?

Sharad Taparia: Each customer has their own design and depending on the design, we see the prices that they are willing to accept. And in some of the cases, it is difficult to supply at those prices. In some of the cases, we are okay to supply at those prices. So our existing customer, where we were already supplying, there the demand has increased and there we are going ahead. But the margins are definitely lower as compared to international market. And we are also evaluating some newer products, some integrated products where particularly for import substitution, there we find that market can be a good market.

Ankit Gupta: There, we can get relatively higher margins compared to what we have?

Sharad Taparia: There may be better margins because they are imported products.

Ankit Gupta: My second question was on the module front. You know, modules currently are, since we started our journey towards, forward integrating into modules, since they are in the development phase, their contribution is pretty low currently. And you're saying next year we'll see some decent breakthrough in the module segment. So let's say over the next 2-3 years, how do you see contributions from the modules in our overall revenue? And apart from the value addition that we do on the module side, do you think our margin in the module segment will be more than our existing margins currently?

Sharad Taparia: The modules business will definitely, as a proportion of the automotive business, it will increase. How fast it will increase depends on the execution and the start of the project as nominated by the customer. So each design, they nominate on which year it will start. And then if they do not have any delays, then it goes ahead. And also approvals have to happen and there are many steps. So different projects are there in different stages. So proportion of the module business will increase. Regarding the margins, again, product to product, in case where there is a very high metal content or raw material content, the margins are lower as a

percentage. In case where the value addition is very high, so processing cost is very high, there the margins are better. So very, very subjective, depending on product to product.

Ankit Gupta: And then, last question was on the customer addition side. In the first half, how many customers have we added? And how has been the inquiry pipeline for us from our existing as well as new customers?

Sharad Taparia: So, see the customer addition, I mean there are multiple projects going on. So customer addition, when you say, I am assuming that you are talking about commercial supplies, starting of commercial supplies. So those may be about, may be 2-3 customers we may have added in this quarter may be. But each new project is in a different stage. So we will keep adding, as and when each month we will keep adding a few more.

Sukhmal Jain: There are cases where the new products are being supplied to existing customers.

Sharad Taparia: New inquiries from existing customers that is also happening.

Ankit Gupta: In your opening remarks, you had mentioned that some of the costs being sent through P&L which will result in some break throughs or additional revenues in FY25. So if you can elaborate on this and how much such expenditures are being used currently?

Sharad Taparia: The main cost is due to added depreciation and also cost related to our subsidiary which we formed for which no revenues have started as yet. But the depreciation has increased by almost about Rs. 1 crore and additional cost related to subsidiary in the quarter 2 is about 30 lakhs and those are the main costs and there are some administration costs also.

Moderator: Thank you. The next question is from the line of Vivek Seth, who's an investor. Go ahead.

Vivek Seth: I have two more questions. One is that there is a lot of push on the e-waste recycling. So do we see recycling for the threat to the revenue stream in anyway in terms of magnets? Or it will be an aid to us?

Sharad Taparia: No, in terms of the magnet, actually, recycling is a good thing happening that will increase the availability of raw material. So it is not a threat. In fact, it is a good development.

Vivek Seth: One more question. A lot of companies are doing CAPEX for drone and aerospace industry. So are we seeing any inquiries or are we already a supplier to any of the companies without naming it?

Sharad Taparia: Yes. So in fact, our parts are going in some of the aerospace application. For example, Aditya L1 has PML 3 parts inside. And also in the Chandrayaan project for the navigation, PML has supplied some parts. So there are some applications that we do and other aerospace related materials, we are having some inquiries for alloy business.



Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Two questions. One is on super alloys part. So typically what we are doing for most of our businesses is that we do engineering and design and we customize most of the products. So in super alloys part, are these off-the-shelf kind of a product which are sold in open market or again, these are kind of custom made for each of the clients? How does it work?

Sharad Taparia: So these are not customized. These are standard chemistry alloys which are used worldwide. And the requirement here is that we have to produce alloy with very high purity. So the process is quite difficult to accomplish, but these are standard alloys. Most of them are standard alloys. In some cases customers want to experiment and develop new alloys but since the furnace has capability to produce all types of alloys, this is possible with our equipment that we have.

Dhwanil Desai: And I think again probably you alluded to this, other than domestic metering market, how is the international energy meter market is looking because when we hear the conference call for some of the customers, I think they are very upbeat, their order book at a very high level. So any update on that, how is the traction in that market? Are we getting new models, new projects? Any update on that?

Sharad Taparia: That market currently for us is stable. There is no significant change there. But we are getting inquiries for new products in different sources. For example, there are multinational companies. They have plant in one part of the world. We are getting inquiries from the other plants also for different products, that is happening. But the overall demand is stable.

Dhwanil Desai: And any updates on gas meter sir?

Sharad Taparia: Gas meter continues to be on the end of life and we are still supplying but it will slowly be end of life. That particular model what we are supplying.

Moderator: Thank you. The next question is from the line of Ananth Shenoy from AS Capital. Please go ahead.

Ananth Shenoy: So firstly, on the CAPEX side, you mentioned on the alloy side, we have already done Rs. 8 crore CAPEX. And on the joint venture, we have done around Rs. 4 crore CAPEX. So overall, for this year, what is the plan for the overall CAPEX? And for the next year also, can you talk about the CAPEX plan specially in the joint venture?

Sharad Taparia: This year overall, our plan is about Rs. 15 crore to Rs. 18 crores of CAPEX and then over a period of 2 years, there will be additional CAPEX on the land and building for the new factory that we will set up.

Ananth Shenoy: For next year, what CAPEX is planned?

- Sharad Taparia:** For the next year? Apart from the land and building, currently we have not planned the CAPEX items we have not planned as of now, but there are directions. For example, the alloy business, depending on how quickly we fulfill our capacity, we will multiply it. So we may, again, add some more equipment there. And similarly, specific projects, we may add equipment there. But that depends on project to project.
- Ananth Shenoy:** The Rs. 15 crores to Rs. 18 crores that you mentioned, these two are alloys. Is mostly towards the alloys segment?
- Sharad Taparia:** No, this is towards all the projects. Rs. 8 crores towards alloys and balance towards other projects.
- Ananth Shenoy:** And in the last call, you mentioned 20% to 25% growth this year. So do you think we will stick to that or because you have seen good traction in energy meters, what kind of growth or sales will be campaigned?
- Sharad Taparia:** We were expecting that there are some push out of orders from the EV side, so that may impact a little bit on the total growth. So I can't give you any number right now, but it may be a little lower than that. 75 seems to be a better growth, I would say.
- Moderator:** Thank you. Next question is from the line of Gaurav Agarwal, who is an individual investor, please go ahead.
- Gaurav Agarwal:** So my question is in half year FY24, the main revenue of our company is coming from EV and smart meters. Is my understanding correct?
- Sharad Taparia:** For half year, about 43% is from the energy meter segment and about 37% is from the auto, balance is others.
- Gaurav Agarwal:** So 43% is from the smart meters and 37% is others?
- Sukhmal Jain:** 37% from EV.
- Sharad Taparia:** EV and automotive but 43% is total energy meter segment including the smart meter. That is export plus domestic put together.
- Gaurav Agarwal:** And in 37%, how much will be the EV? What portion will be the EV?
- Sharad Taparia:** About 90% will be EV.
- Moderator:** Thank you very much. As there are no further questions from the participants, I now hand the conference over to Mr. Sharad Taparia for the closing comments. Please go ahead, sir.
- Sharad Taparia:** Thank you everyone for participating in the call. Your questions are important to us and we strive to be as transparent as possible in our investor communications. If there are any



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unanswered questions, please get in touch with our Investor Relations team to take it forward.
Thank you very much. Happy Diwali to everyone.

Moderator:

Thank you very much. On behalf of Permanent Magnets Limited, that concludes the conference. Thank you for joining us, and you may now disconnect your lines.