

December 27 , 2019

To,
BSE Limited
P.J. Towers
Dalai Street, Fort,
Mumbai - 400 001.

Security code : 504273

Security ID : MODULEX

Dear Sir/ Madam

Sub: Disclosure under regulation 30 of SEBI (Listing Obligations and Disclosure Requirement) Regulation, 2015

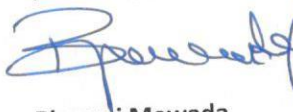
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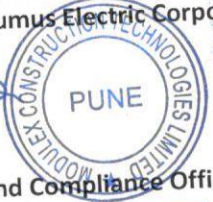
You are requested to take the above information on records.

Thanking you,

Yours faithfully,

**For Modulex Construction Technologies Limited
(Formerly Known as Tumus Electric Corporation Limited)**


Bhoomi Mewada
Company Secretary and Compliance Officer



Encl: As above



EQUENTIS
THINKING FUTURE

MODULEX CONSTRUCTION TECHNOLOGIES LTD **[Modulex]**

Independent Equity Research

December-2019

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Modulex Construction Technologies Ltd- Brief Introduction

Modulex Construction Technologies Ltd is part of the UK based Modulex group. Modulex Modular Buildings Plc (UK) is setting up a global franchise to develop the use of proven British steel modular technology to construct buildings in growth and emerging markets. It is setting up the world's largest and India's first steel modular buildings factory capable of producing permanent steel-framed modular buildings.

Steel Modular Method of Construction

Steel modular building is a Modern Method of Construction (MMC) established since 1942 in the UK. Modular technology entails “high degree of offsite finishing,” where in nearly 90% of the construction work is completed on the builder’s factory. Simply put, parts of the structure are built in factories (of the builder), then transported to the site (of the new building) and assembled on traditionally curated foundation. This is one of the fastest methods to construct buildings. For example, using modular blocks, a 100-room hotel can be made ready for occupation in 26 weeks.

Following is the link to view the construction process, where a hospital of 91,493 sq ft was constructed in approximately five months - <https://youtu.be/77ClqyZ4FDk>

Benefits of Modular Construction over traditional method

- **Construction Time savings-** Up to 90% of internal finishing is done offsite and no delays due to weather leads to faster execution of the project and improves the project IRR.
- **Cost effective-** Reduced site preliminaries. 30% cheaper to heat or cool than traditional buildings.
- **Quality Control-** Supervision in a controlled environment ensures that buildings are built to strict quality standards.
- **Durability-** Structural guarantee of 60 years, buildings can last 250 years. It is also earthquake resistant.
- **Sustainability-** The amount of waste and site disruption is greatly reduced, making modular a more sustainable option than conventional buildings.

Applications

Hotels



Holiday Inn Express
Location: Gatineau, Canada
Supplier: RCM Modular Solutions

Residential



Juxon and Sail street
Location: London, UK
Supplier: Vision Modular Systems UK

Education



University of Oxford, biochemistry department
Location: Oxford, UK
Supplier: Laing O'Rourke

Student Accommodation



Apex House
Location: London, UK
Supplier: Vision Modular Systems UK

Hospitals



Basilidon Winter Wards
Location: Basilidon, UK
Supplier: Caledonian

Infrastructures



Mitcham Railway Station
Location: Victoria, Australia
Supplier: Modscape

Airports



Dublin Airport Passenger Boarding Zone
Location: Dublin, Germany
Supplier: McAvoy Group

Retail



Globeside Café
Location: Marlow, UK
Supplier: Modulex

Modulex Manufacturing plant in India

- **Location-** Indapur, Pune District, Maharashtra state, India
- **Land Characteristics-** 40 acres bought from MIDC
- **Capacity-** 200,000 sqm per annum (4800 modules per annum)
- **Production lines-** 4
- **Commissioning date of production line-** 1- Q2 CY2020
- **Closer to JNPT port** (strategic location for exports)







Modulex- Promoter & Key Shareholders

Name	Description	Shareholding % (Sept 2019)
Red Ribbon Advisory Services Private Limited	<ul style="list-style-type: none"> • Founded in 2007, Red Ribbon Asset Management is an AMC specializing in investments in India. • Management consists of Indian and British corporate leaders with blue chip investment background, real estate and finance skills who live in India, speak local languages and have a strong local network. 	1.43%
Red Ribbon Modulex Buildings Limited	<ul style="list-style-type: none"> • The company focuses on starting "asset-heavy businesses," roping in strategic investors at investment phase and listing on stock markets at growth phase. • Modulex is Red Ribbon Asset Management's first incubated venture in India. 	24.93%
Mr. Suchit Punnose	<ul style="list-style-type: none"> • An entrepreneur with more than 23 year of experience in VC and PE in the UK and India. • He is the Founder & CEO of Red Ribbon Asset Management Plc as well as Modulex. 	4.16%
Total Promoter Holding		30.52%
Ajmera Realty & Infra India Limited	<ul style="list-style-type: none"> • Established in 1985 and headquartered in Mumbai, Ajmera Realty & Infra India Limited is one of India's largest player in the real estate industry. • The Company develops a range of residential properties such as integrated townships, residential hi-rise towers, exclusive/premium apartments and magnificent villas, among others. 	4.36%
Providence Educational Academy Pvt Ltd (Delta Corp)	<ul style="list-style-type: none"> • Providence Educational Academy Pvt Ltd, a trustee of AAA Holding Trust related to businessman Jaydev Mody and family. • Mr. Mody is the promoter of public listed hospitality, entertainment and real estate firm Delta Corp. 	12.72%
Reward Constructions Private Limited	<ul style="list-style-type: none"> • Reward Constructions Private Limited was founded in 2002. The company's line of business includes providing residential construction services. 	5.23%
Synthite Industries Private Limited	<ul style="list-style-type: none"> • The world's largest producer of value-added spices along with presence in real estate (Luxury homes and apartments in semi-urban settings for esteemed property seekers in Kerala) 	7.81%
Ethix Realtors Private Limited	<ul style="list-style-type: none"> • Pune based privately held company into retail clothing chain. 	6.97%
Sparkonix India Private Limited	<ul style="list-style-type: none"> • Leading manufacturer and exporter of machine tools in India since 1983. 	2.61%
Other Public Shareholding		29.78%
Total Public Holding		69.48%

Modulex-Management Team Details

The management team of the Company has the necessary experience and expertise in the modular construction industry in the U.K. and has successfully completed many projects using modular method of construction.

Management Team	Designation	Brief Profile and Prior Experience
 <u>Mr. Suchit Punnose</u>	Founder & Chairman	<ul style="list-style-type: none"> ➤ An entrepreneur with more than 23 year of experience in VC and PE in the UK and India. ➤ He is the Founder & CEO of Red Ribbon Asset Management Plc, which is the founding shareholder of the Company. ➤ As a strategic investor, he has incubated businesses in real estate, equities and manufacturing.
 <u>Mr Ajay Palekar</u>	Managing Director	<ul style="list-style-type: none"> ➤ 35 years of experience in manufacturing, logistics and supply chain. ➤ Operations expert with international experience (US and India). ➤ Managed operations for multinational companies, working closely with expat teams to set up, scale and establish projects across various sectors.
 <u>Mr. Giles Price</u>	Group CEO	<ul style="list-style-type: none"> ➤ 30 years of experience in the construction industry. ➤ Former non-executive of Buildoffsite and youngest board member of the British Aviation Group. ➤ Former programme director of Heathrow Airport and responsible for construction of Terminal 5 of Heathrow Airport.
 <u>Mr. Richard Ogden</u>	Advisor to the Board	<ul style="list-style-type: none"> ➤ 50+ years of experience in the construction industry. ➤ Experience in both public and private sectors with knowledge and experience in rail and power as well as business management. ➤ Former chairman of Buildoffsite.

KEY TAKEAWAYS FROM MODULEX MANAGEMENT MEET

Group's broader vision to tap growing Modular construction opportunity globally

Overall vision of the Group is to take British offsite modular technology global to cater to the rising demand for offsite construction in the UK, European markets, India and other emerging markets. Modulux plans to leverage the design capabilities and technical know-how of its experienced team in UK and low-cost manufacturing advantage of the India operations to tap this opportunity. Modulux group is structured at two levels.

Entity	Key strength	Key function
Modulux UK	Construction design and sales touch point for the European markets	Group headquarters and design facility
Modulux India	Low cost manufacturing and export base	Manufacturing facility

To fulfil this vision, Modulux Group plans to set up 20 factories in 15 countries over the next decade with India being an important manufacturing base.

Indian facility being developed as an export hub

Modulux is in the process of setting up the world's largest and India's first steel modular buildings factory in India, capable of producing permanent steel-framed modular buildings. This will cater to both Indian and European countries.

Given the strong cost advantage that India operations present, Modulux Group intends to develop India as an export hub for the Group and will use this facility to export modules to the UK, Europe and other markets in coming years. Whilst the cost of a high end finished module in India is ~ Rs 2,500 to Rs 3,000 per square foot, the cost of the same in the UK ranges from Rs 15,000 to Rs 20,000 per square foot. This gives Modulux India significant cost advantage over other high cost economies.

In phase I, Modulux will be commissioning the first production line at its Indian facility by Q2 CY2020, with total capacity of 50,000 sq mt p.a. (1,200 modules p.a). The factory is being set up at Indapur, Pune District, Maharashtra state (185-km from Pune). The company plans to scale up this facility to 200,000 sq mt p.a. production capacity (4,800 modules p.a) within a year's timeframe.

Particular	Phase-1 Full Capacity	Phase-1 Production Line-1
No. of production lines	Four	One
Production capacity- no. of modules	4,800 modules p.a.	1,200 modules p.a.
Production capacity- sqm p.a.	200,000 sqm per annum	50,000 sqm per annum
Revenue potential	Rs.4,000 mn	Rs.1,200 mn
Commissioning timeline	~1 year from now	Q2 CY2020

Experienced technical team in place with strong execution skills

Modulux Group has appointed a senior team of British construction experts from the UK modular industry to roll out the plan, who have been associated with the company since inception.

Mr. Giles Price and Mr. Richard Ogden are former members of Buildoffsite. Buildoffsite is an industry membership organization which promotes offsite and modular construction. Members of Buildoffsite range from suppliers, professional service providers to academic organizations from UK and other countries.

The management team has a vast experience of more than 3 decades in related sector and have successfully executed several projects of varied nature, including airports, hotels, hospitals, schools and residential apartments in the UK. Further, British technical team and the promoter has huge network in the UK that will be leveraged for developing client base in Europe. Modulux offering has generated encouraging response in MIPIM (World's largest real estate expo), and management is well-placed to tap European markets effectively once manufacturing facility in India becomes operational.

Strategic partners in Indian subsidiary at pre-revenue stage - a huge endorsement to its product offering

The company has secured investment from marquee investors, who are established real estate players in India. Presence of players such as Ajmera Realty, Reward Constructions, Ethix group and Delta Corp as stake holders in the company provides lot of confidence in the potential Modular construction method holds, especially for the Indian markets.

		
<ul style="list-style-type: none"> • Ajmera Group • 50-year-old developer • Rs 4000 mn market cap 	<ul style="list-style-type: none"> • Delta Corp • Gaming company with real estate presence • Rs 57,000 mn market cap 	<ul style="list-style-type: none"> • Ethix group • Private held • Pune based retail clothing chain • ₹450 mn land bank

Not only will the company benefit from direct order flows of these companies, but presence of such marquee players will also help the company to showcase the successful adoption of this method and thus, leverage the same for securing new project orders.

Large order pipeline and considerable enquires in hand

Even in the pre-commencement stage, the company has a significant order pipeline and it has also received substantial number of enquiries. Management expects traction in domestic as well as international orders, once the manufacturing commences at the Pune plant.

Following are the details of order pipeline as on 5-12-2019: -

Client	Market	Amount (Rs in mn)	Status
Ajmer Realty (Strategic Investor)	Domestic	300	Awaiting COD of factory to place order
Delta Corp (Strategic Investor)	Domestic	300	Awaiting COD of factory to place order
Ethix Clothing (Strategic Investor)	Domestic	150	Awaiting COD of factory to place order
Goldfield Properties Ltd	Domestic	468	Design completed, execution of work order shortly
Asian Heart Institute, BKC, Mumbai	Domestic	120	LOI issued
Ramesh Builders, Pune	Domestic	480	LOI executed
Discovery Properties & Hotels Pvt Ltd	Domestic	240	LOI issued
Contracting Consultancy UK Ltd	Export	970	Final discussions for MOU
Andrew Hosie	Export	900	Final discussions for MOU
Total		3,928	

Huge industry opportunity both in India as well as overseas market

DOMESTIC OPPORTUNITY (INDIA)

In India, Modern Method of Construction (MMC) is gaining acceptance where Prefabrication method is more prevalent. Modular construction method is yet to gain significant traction and is likely to gain acceptance given its advantages over the traditional method of construction.

Modular construction method is suitable for building residential houses and can cater to the housing demand. The government's **'Housing for All'** initiative aims to build 20 million affordable homes for the urban poor by 2022, which presents a big opportunity for Modulex.

Housing need by 2022	Urban (mn units)	Rural (mn units)	Total (mn units)
Current Housing Shortage	19	40	59
Required houses by 2022	26-29	23-25	49-54
Total Need	44-48	63-65	107-113

INTERNATIONAL OPPORTUNITY

Modular construction could scale to an industry that represents more than \$100 billion in US and European real estate, delivering \$20 billion in annual savings. The United Kingdom alone needs to add another 300,000 units per year to keep up with demand for housing but has not been able to deliver more than 200,000 new units per year since the 1970s. Thus, it provides a huge opportunity for the increase in penetration of Modular construction method. Following data as per Mckinsey report (June 2019) provides the detailed opportunity present in UK as well as USA-

Type	Use	Construction expenditure (\$ bn)	Market potential (\$ bn)	Savings (\$ bn)
Residential	Single Family	376	30	5
	Multi-Family	277	45	6
Commercial	Office	77	10	2
	Hotels	40	10	2
	Retail	42	5	1
	Logistics/ Warehouse	46	10	1
Public	Schools	59	15	3
	Hospitals	41	5	1
Other Buildings		70	5	1
Total		1,027	135	22

OUR TAKE

Modern construction methods present a huge growth opportunity going forward. We believe that Modulex has strategic advantages of a) low cost manufacturing base in India, b) experienced technical team and c) design facility in UK to capture this growth opportunity, both in India and abroad. Company has been able to garner considerable interest and enquiries from clients even at the pre-commissioning stage, which reflects positively on the potential Modular Construction Method holds within construction sector. Moreover, its ability to rope in some renowned real estate players at project stage itself, gives confidence in company's ability to realize its vision of establishing itself as a large player in the Modular construction segment.

We are particularly enthused by the company's growth and expansion plans will be executed over the next one decade. Given that the company is on the verge of commissioning its first manufacturing unit in Pune, pre-project stage risk is almost over, and the pace of future expansions should gather pace as cash flows build.

Once Pune plant becomes operational next year, we further propose to revisit our analysis presented in this note and would update the clients on the progress and status of other expansion plans.

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