"Vilas Transcore Limited

FY '24 Earnings Conference Call"

June 28, 2024

MANAGEMENT: MR. NILESH PATEL – CHAIRMAN AND MANAGING DIRECTOR – VILAS TRANSCORE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Vilas Transcore Limited FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today the management team of Vilas Transcore Limited, Mr. Nilesh Patel, Chairman and Managing Director, who will represent Vilas Transcore Limited on the call. The management will be sharing the key operating and financial highlights for the full year ended March 31st, 2024, followed by a question and answer session. Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risk and uncertainties. Documents relating to the company's financial performance are available on the website of the Stock Exchange and the Company's Investors section.

Trust you have been able to go through the same. I now hand the conference over to Mr. Nilesh Patel. Thank you and over to you, sir.

Nilesh Patel: Good afternoon everyone. My name is Nilesh Patel and before we start, I sincerely apologize for any inconvenience caused by the rescheduling of our Earnings Conference Call from Tuesday to today. Unfortunately my flight to China got delayed by three hours, which necessitated the postponement. Additionally, due to exchange regulations requiring a two-day advance announcement, we were constrained to reschedule the call to Friday. Thank you for your patience and understanding. And now, let's begin our very first earnings conference call following our successful listing.

We hope you had an opportunity to review our investor presentations uploaded on the Stock Exchange. Today, we will be sharing key operational and financial highlights for the year ending March 31, 2024. Since this is our inaugural call, some of you might be learning about our company for the first time.

We would like to take this opportunity to introduce you to our business model. Incorporated in 2006, Vilas Transcore Limited is a manufacturer and supplier of power transmission and distribution components, primarily serving transformers and other power equipment manufacturers in India and abroad. We produce a wide range of Cold Rolled Grain-Oriented electrical lamination, CRGO Lamination Core, CRGO Slitted Coils, CRGO Stack Assembled Core, CRGO Wound Cores and CRGO Toroidal Core.

These components are the heart of the transformer and are crucial for the efficient functioning of power and distribution transformers, current transformers, and potential transformers. Transformer cores are made from silicon steel, seek to minimize the current losses and CRGO steel is used to minimize core losses. Providing a low reluctance path for electromagnetic flux and supporting the primary and secondary winding of transformers.

The cores are installed to reduce this current to a minimum, ensuring efficient energy transformer between the primary and secondary coils. Our design and manufacturing process prioritize manufacturing efficiency, functional reliability, longer service life and economic viability, using appropriate materials and precision process. We currently operate from two ISO 9001-2015 certified manufacturing facilities located in Por near Vadodara, Gujarat, with total capacity of 12,000 metric tons per annum.

Our plant configuration allows us to produce the CRGO Lamination and CRGO Core based on the different requirements of our customers pertaining to the dimensions, size and material requirements. Both our manufacturing facilities are equipped with the latest machineries. We have over the years established longstanding relationships with several well-known Indian and global transformer manufacturers.

Our major customers include companies like Voltamp Transformers Limited, Electrotherm India Limited, Atlas Transformers India Limited, Shilchar Technologies Limited. We strive to maintain the quality standards and requirements specified by our customers for the quality of our products. As you all know, recently we have raised approximately INR95 crores through IPO for the expansion plan.

These funds will be used for construction of new factory buildings and for acquiring and installing additional plant and machinery. After the completion of capex our plant's capacity will grow from 12,000 metric tons per annum to 36,000 metric tons per annum, three times of current capacity. We are expecting to complete this expansion plan by the end of Q3, financial year 2024-25.

With that, we are also planning to add new products to our portfolio, starting with like radiators to be used in transformers, which will also be covered in the new facility coming up. Expansion of capacity was very strategic plan because currently we are getting extra orders which are not able to fulfill due to capacity constraint. So these extra orders will be fulfilled with our newer capacity and addition of new products line will help us to achieve our long-term vision of becoming a hub of transformer ancillary components.

Looking at the industry growth drivers, this is one of the best sectors to be in as the demand is rising due to multiple factors. Talking about domestic factors, aging infrastructure is overdue for upgradation, presenting significant opportunities for our product. High growth sectors such as technology, data centers, EV charging networks and renewable energy are expanding rapidly, increasing the demand of modern transformers.

Additionally the Indian railways shift to high-speed trains and new projects like freight corridor and metros are fueling demand of transformers from 66 KV to 133 KV grid. With extreme weather and security concern, driving the need of robust and reliable solutions. Internationally India is becoming the preferred supplier of transformers for the U.S. and European markets, especially with ongoing Ukraine-Russia tensions, global supply chain disruption exacerbated by these tensions highlight the need for a solid and diversified supply source, which we are well positioned to provide.

These domestic and international factors will collectively drive strong demand for our products positioning us for the future growth. Now I will begin with sharing key financial numbers and operational highlights for the year-ended March 31st, 2024. The total income for financial year

2024 stood at INR314 crores, up by 10% year-on-year, with EBITDA of INR35 crores, up by 10% year-on-year and the PAT stood at INR23 crores, up by 14% year-on-year.

Our three-year CAGR for revenue is at 33% and PAT is at 64%. And we have a healthy return ratio with our ROE at 17.5% and ROCE at 22% in financial year 2024, with almost zero debt. On the operational front, we are operating at full capacity, with capacity utilization of more than 90%.

The IPO proceeds will further help us to strengthen our top line by about 30%-35% in the coming year. The growth trajectory in subsequent years are also expected to be robust as we optimize the capacity utilization as well as add more product offerings. With this, I would like to conclude my opening remarks.

Thank you all. And now I request the moderator to open the floor for the questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Priyank Chedda from Vallum Capital. Please go ahead.

Priyank Chedda: Hi, sir. Thanks for explaining your business model and congratulations for the public listing. My question is, sir our more than 80%-85% of the revenue comes from a product which is lamination. And we do the lamination of this CRGO steel coil. Now the question is essentially what is the true moat in this business, which is leading to not other players focusing and investing in this product, which is the heart of a transformer and which is where we feel that our market share will grow magnifold? This is my first question.

Nilesh Patel: So the thing is there are lots of players who are in this field. So it is not that nobody is investing, but the thing is our Indian market is growing. So transformer demand is almost at the peak in this, is going to be peak for the next 10 years as we are doing lots of renewable energy and everything. So demand of transformer will increase the demand of CRGO and to cater that demand we are expanding this.

We are sure that this -- if you see last so many years data, the CRGO demand is increasing 13 years, 13% every year. And since last one year or two years, it is increasing more. So there are a player, but I don't know why people are not investing, but we see the growth. We are getting lots of inquiries, which we are not able to cater. And that's why we decided to put up a state-of-the-art facility on which we can provide Indian market as well as we can export also.

Priyank Chheda: Right. So essentially what is the technology requirement in this business, which leads to Vilas being a key player, say in next 3-4 years after your capacity expands, you become 50% of the market. So what is the key technology which you know, becomes a very key entry barrier for other players?

Nilesh Patel: One minute. How much percent of the market you said?

Priyank Chheda: So in your presentation, it's written that your current market share is 4%. Post your expansion of the capacity, you will become almost 50% of the market share? I mean, I'm not sure if I have read this data correct. So what I'm asking is, if you are becoming a very substantial player in this market, what is the key technology moat or the barrier that you have, which other players might find it difficult?

Nilesh Patel: So the first thing is that the percentage of the market has to correct it. We are right now operating at 4% of the Indian market. And with this expansion and if we do it three times, three-fold of our capacity, then also it will reach to 10% because Indian market will grow. So even if we do 36,000 metric tons, we will be around 8%, 10% or 12%, somewhere around that. The key thing is that right now, India is lagging of the CNC machines, which we are right now procuring for this expansion. Automatic CNC machine, which builds the core itself.

Right now, we supply the lamination, then we will include the assembled core supply, which is automatic. And the machine which we are buying will build the core automatically. So that is a one step ahead, which none of the Indian manufacturers have till now. That machine we are procuring and this is the one addition we are doing. As well as the contacts with the mill, contract with the mill, we are getting more and more allocation, what we require. Again, in CRGO, there is a short supply in India and we are getting from the mill. So lots of relations with the supplier, as well as with the customer, will increase our share in the market.

Priyank Chheda: My next question is, sir, with what lag time periods we are passing on the commodity costs to our clients? What we understand is CRGO steel coil is your key raw material. So what is the time lag to pass on the commodity fluctuations? And second question within this is, why we import 30% of our raw material when you know whole of the steel industry is established in the domestic market? So is there any specialty steel which we require to import and not available in India?

Nilesh Patel: This CRGO steel itself is not available in India. There are only two manufacturers which are having a capacity constraint. So it has to import and if we say 3 lakh ton of CRGO is used in India, then around 1,10,000 tons is produced in India and 1,80,000 tons comes out from outside of India. The import has to be a compulsory.

Priyank Chheda: And what is the time lag to pass on the commodity fluctuations?

Nilesh Patel: So we have a marketing model like we get orders every day, we get enquiries every day and we quotes every day. So 25%-30% or 40% is selling like a contract of 3 months and balance 60% we sell on day-to-day marketing basis. So while anything goes plus or minus, that is covered in this day to day marketing and when there is a contract which is 30% to 40% of our sale, we are not able to pass on or when but it gets benefit and loss is neutralized during the period of a year or say maybe 2 years. If commodity goes up and if we are pre-contracted, our purchase is also pre-contracted.

Like we import the material, when we book the material, the material comes to our factory within 3 months or 4 months. So we know what is our cost going to be after 3 months or 4 months. If price goes up, see any commodity price goes up, we came to know before 3 or 4 months before.

Because right now I am buying material which I will use after 3 months. So what will be my raw material cost after 3 months that I came to know today so I can accommodate this next 3 months of my sales in India.

Priyank Chheda: Correct. So what I have understood is your 40% of the sales is B2B and 60% of the sales is spot on a spot contract and hence you can relatively predict what can be the spot contract prices that you will sell in next 3 months because you have procured it today. Is this understanding correct?

Nilesh Patel: Yes. Like if we see that the price is going to be on upper side after 3 months, we start increasing our price from today onwards. Slowly, slowly. Because this is how this entire Indian market operates.

Priyank Chheda: Correct. But now sir, in this scenario where commodity deflation is there in steel, right or maybe relatively stable, so in a deflationary scenario where your import prices would be higher 3 months ago and spot prices of commodity steel are lower, then maybe other players would be selling at lower price. So how would you play this situation?

Nilesh Patel: No, the point is that this is not listed commodity. So it's not like it's going to be a down or up immediately. But like if after 3 months the price has gone down, but my stock price, whatever it is, right now is on the higher side. So it's with everybody. Nobody is going to sell it at the lower cost.

Priyank Chheda: And my third question is sir, in FY'22 you sold around 10,000 tons of volume. In FY'24, you still managed to sell around 11,000 tons. But your realization per ton has significantly changed from INR230 to INR284 now per kilo, or 2.3 lakh per ton to 2.8 lakh per ton now. So what has changed in this? Is this a commodity upcycle which is placing out over here or is there a change in the product mix? Are you selling it to very larger specialty transformers or something like that? How does the product mix really play an important role in your realization?

Nilesh Patel: See, there might be some -- there was some price rise also. But the secondary thing is that sometimes it happens that we have different grades. Starting from our sales cost starts from INR220 to INR330 or INR340. So sometimes it happens that the high grade material has a more demand. We sell that more and our content remains the same and figure goes up. Sometimes it happens that in market, some kind of transformer order is there where they want every grade demand of the material. And we sell material as per the market demand. You understand? So when there is a high grade of order we are getting, our turnover goes up with the same quantity. Realization value is more because there is a variation in the sales price as per the grades.

Priyank Chheda: Perfect. So you have been, over the last two years, you have been selling higher grades of the same CRGO laminations, right? So yes I understood that.

Nilesh Patel: Because there is a DEE guideline in which they are reducing transformer losses day by day. So transformer manufacturer has to use the higher grade material.

Priyank Chheda: Got it. My last question is sir, what is the current order book? And given your capacity expansion would come in the year end, what gives you your visibility of 30%-40% growth in the current year while you are already running at 90% utilization?

Nilesh Patel: What we are planning is that in last quarter of this financial year, we are expecting to operate from the new plant. And we want to capitalize that last quarter of this year from the new plant and we generate some revenue from that. As well as we are trying to achieve this 10% remaining in our old plant. We have done some changes and as per that, we are working right now.

Priyank Chheda: Right, so…

Nilesh Patel: And we are confident that the new plant will be operational by January for sure.

Priyank Chheda: Correct. So you will get three months of the new plant revenue coming up. The current capacity of 12,000 tons is the capacity which is after the deep water netting which you have done in the current plant or is there an increase in the capacity to produce CRGO laminates?

Nilesh Patel: In current plant, we have added one more machine for the amorphous core and we have got the good order for that, which is the commercial production will start from the 10th of next month. So that particular product will add some contribution to the current plant also.

Priyank Chheda: So what leads for us as a installed capacity currently after the new machine that you added?

Nilesh Patel: This is a totally different product, not the CRGO lamination product. It's amorphous core. So we are expecting around 30 to 40 tons per month sale from that, which will start from the next month.

Priyank Chheda: And it has a similar realization mix like of CRGO laminates?

Nilesh Patel: Yes, it's around INR200-INR230 per kg.

Priyank Chheda: Okay. So to summarize, you have 10% additional utilization mix that is pending and you have added one more line of 30-40 tons per month for this year as far as growth template goes and then you have last three months of new plant coming up, correct?

Nilesh Patel: Correct.

Priyank Chheda: And in what time should we expect the complete ramp up of the utilization happening of the new plant?

Nilesh Patel: Plant will start from January and by the time March comes, it will be completely set up and then in next financial year, we will definitely have the benefit of that.

Priyank Chheda: Okay. And sir, you did not tell us what is the current order book that you have?

Nilesh Patel: In current order book, we have a contract from one of the major companies of 2,000 metric tons. Then day-to-day order booking is full for the one and a half or two months. So current order book must be somewhere around INR80 crores to INR90 crores.

Priyank Chheda: Okay. And if I am allowed one more question, what is the cost of your material that goes into 1 megawatt of a transformer capacity in case someone has to install a 1 megawatt of electricity generation and in that there is say X number of transformers that are there, how much of your product is the percentage of a total 1 megawatt of energy generation?

Nilesh Patel: So, that all depends on the design of the transformer. It varies in huge range.

Priyank Chheda: Okay.

Nilesh Patel: Roughly, you can calculate that 1 megawatt is 1 metric ton. So it may range from INR2,30,000 to INR3,50,000.

Priyank Chheda: INR2,30,000 to INR3,50,000 per ton of your laminate that would be required, correct?

Nilesh Patel: Yes.

Priyank Chheda: Got it, very clear. Thank you and thanks a lot for answering all the questions.

Nilesh Patel: Thank you.

Moderator: Thank you. We have the next question from the line of Vijay Rawat from Vedant Capital. Please go ahead. Mr. Rawat, the line for you has been unmuted. Please go ahead with your question.

Vijay Rawat: Yes. Sir, good afternoon. You said you are starting with a new item that is radiator. We wanted to know what would be the margin in radiators?

Nilesh Patel: Sir, it will be similar as -- the margin is similar like the CRGO. It is slightly higher than CRGO because it is some technological product. And whatever the percentage we are getting in CRGO, it must be around 3% to 4% more than the CRGO business. But the volume will be less.

Vijay Rawat: Okay. And you also said like you would be starting to increase the capacity for core assembly, right? So what would be the margin in core assembly?

Nilesh Patel: Sir this core assembly we are targeting for the export business because in export there is a labor cost more to assemble the cores and everything. So this will increase our margin by 2% to 3% if we supply this assembled core.

Vijay Rawat: Okay. So my last question is if you ramp up the capacities for radiator and this core assembly, like by what time these two products can reach a sizable like 20%-25% of total revenue?

Nilesh Patel: Total revenue to 20% to 25%. So for radiator it will take mainly 2 years to reach to the peak because it is a technical product and it will take little bit long term for the export establishment. So radiator to reach 25%, but I don't think it is possible because CRGO will be the main criteria. Radiator we will reach to certain level, but not the 25% of the total margin, but yes in assembled core and radiator altogether we can reach to 15% max.

Vijay Rawat: Okay sir. I will join back the queue sir. Thank you.

Moderator: Thank you. The next question is from the line of Ishita Lodha from SVAN Investment Managers. Please go ahead.

Ishita Lodha: Hi sir. Congratulations for the IPO. I am not very clear on the pricing mechanism. Can you explain like if it is -- the estimation is passed on to the customer or do we bear it?

Nilesh Patel: Ishita ji you have to speak little bit loudly. I am in China. So phone call is little bit -- voice is less. Can you speak little bit loudly?

Ishita Lodha: I am not very clear on the pricing mechanism. Is the raw material cost being passed on to the customer or do we bear it? How does it work?

Nilesh Patel: So all plus and minus has to be passed to the customer. Sometimes we are not able to pass the minus. Sometimes we are not able to pass the plus also if it is a contract trader, but mainly most of the time we pass everything to the customer because we as I said 60%, 70%, we give price every day. Though the customers are the same, but few customers bear the contract for the quarter, few customers buy inquiry to inquiries. So mainly we pass every fluctuation to the customer more or less.

Ishita Lodha: Okay. And apart from the core assembly do you see any other export opportunities going forward and currently how much are we exporting and where do we export?

Nilesh Patel: Right now our export is very less. We are exporting to Canada, we are exporting to Gulf countries and then we are exporting to Europe, but this radiator plant what we are building up or what we are making, we are fully focusing for the export, but initially we will supply to India. Then we will establish our quality and then we will go to the export. It has a very huge demand for the export market and that's why we have picked up that product.

Ishita Lodha: All right. And what is the market size of these products and how do you see the market opportunity going forward?

Nilesh Patel: At present, as I said, we are catering around 4% of the Indian requirement. And looking ahead there is a very huge demand of transformer because earlier all transformer industries were having booking order for the maximum one quarter. Right now our all Indian transformer industries is booked for the one year or so. Now that if you have been reading the articles somewhere there is a lot of articles which says that the transformer is in short supply because of the capacity constraint of the Indian manufacturers. So they are fully booked.

So we will get definitely all the orders means whatever the orders we require and we are in right time that we will start our plant by December. We pray to God that we will reach to the maximum level very fast looking to market scenario and we are working hard for that.

Ishita Lodha: All right. Thank you.

Nilesh Patel: We will reach around 10% of the Indian core market requirement.

Ishita Lodha: All right. And how do you see the margin going forward? You did mention that maximum it can go to 15%, but in the near 2 years, 3 years how do you see that going forward?

Nilesh Patel: See what we expect is that margin will be little bit on the plus side, but right now we are focusing on increasing the turnover. Margin will remain the same or maybe little bit plus side, but as the radiator product and assembled core sales will slowly increases. The margin will definitely improve.

Ishita Lodha: Okay. And the funding for the capacity expansion was mainly from the IPO or did we also use some debt or internal agreements for that?

Nilesh Patel: No, it is mainly from the IPO. We are not going to take any debt for the expansion.

Ishita Lodha: Okay. Thank you. That's it from my side.

Nilesh Patel: Yes. Thank you.

Moderator: Thank you. The next question comes from the line of Jishan Singhi from Krijuna Research & Analytics. Please go ahead.

Jishan Singhi: Thank you for this opportunity. Sir at first I would like to ask that for the debottlenecking that you have mentioned for the core assembly, so can you please elaborate on that?

Nilesh Patel: About core assembly?

Jishan Singhi: Yes.

Nilesh Patel: Okay. So the transformer lamination what we are supplying to the customer, the customer makes core assembly from that at their end. When we go for the export marketing like Europe, America or everywhere this core assembly is a costlier affair over there because it definitely requires very heavy labor.

So right now, we are procuring a machine which will automatically do core assembly on the machine itself and we will supply that core assembly to the export market. This is what is our main plan for the core assembly. And core assembly is the first stage of the transformer manufacturing at transformer end. So we are moving one stage ahead from the transformer lamination.

Jishan Singhi: Okay. And I would also like to know that whether do you face any competition from any foreign company based in US or Europe?

Nilesh Patel: There are lots of companies who are supplying products and competition is there, but there is always a room for a player who has a marketing skill and ability. It is not like that there is no competition. Competition is there and we will face the competition, but definitely we will have some market share from the present market or coming new market. This is what we started and right now we have around 7 customers, 8 customers overseas.

Jishan Singhi: Okay. And can you give some ballpark number for the estimated market size for this radiator product?

Nilesh Patel: You can say that when you do the transformer lamination business, if you sell the 10 kg of transformer lamination there is a requirement of 1 kg of the radiator and export business is huge.

Jishan Singhi: Okay. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Harsh M from Kriis PMS. Please go ahead.

Harsh M: Yes. Thank you for the opportunity. Wanted to understand one on your organization structure currently as to how many people are there, your direct reportees in the company and going forward with capacity expansion, what team size you would need to ensure that we have a good growth for the company?

Nilesh Patel: At present, there are 5 people who are reporting to me from the company. The main is our vice president and the other people are finance and accounts related and import. Going forward, we are going to make the full-fledged team which will work as a team. At present, whatever the present organization is there few people from this organization will be uplifted and new people will be recruited also which process is going on. So, by the time September or October our team will be formed for this new plant. Few from the old plant and few will be recruited. Structure will remain same. 4 or 5 people will report to me.

Harsh M: Okay fine.

Nilesh Patel: Few such people will be created.

Harsh M: And the second question I had is, is there any certification or etc. Needed in your industry which differentiates the organized players from the unorganized or what is the benefit that you would have post adding the fresh capacities because the size we are going is 3x. Just want to understand that how the size will help us to get more orders or you have some certifications which will help you to get orders versus your peers.

Nilesh Patel: With this new plant, we are building up this new plant with the consultant who can get us the approval for the PGCIL. So, once this new plant will be built within some sort of the period we will apply for the PGCIL approval. And once we will get the PGCIL approval, then we will be eligible to supply a transformer lamination up to say 765 KV transformer. Very few in India can supply this 765 KV transformer lamination. So, once this new plant will be added this certification of PGCIL approval we are going to apply and we will take that approval. Which will differentiate us from the other peers or from the other small players.

Harsh M: Got it. And just one last question is the steel which you are importing, which is used into this you said that you have relationships with the company. So, just want to understand this is imported currently, right? And how do you ensure that any new player will not take away market share or take away the RM? So, apart from relationship is there any other contract in place or it is open contracts as in when you scale you will be able to source the raw material as well?

Nilesh Patel: With raw material like mills whatever the mills working abroad they are not entertaining every new entrant at every given period of time. So, like there is one Russian mill called NLMP I tried to get material from them for 10 years. And I didn't get it. And I got when they started units in India. Earlier from Russia, I was not able to get the material. So, this is how it works. In abroad your long-term relationship always counts as well as when you have more tonnage you are getting some discounts from them.

They have a price policy. But if you buy some more quantity, they give you the discount as well as preference. And if you have a long-term relationship so years on years then definitely you get the benefit of that. In scarcity also, you get the material. And if not like that every new entrant will go and they will get the material whatever they want.

Harsh M: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, the next question is from the line of Anurag Purohit from iAlpha Investments. Please go ahead.

Anurag Purohit: Hi. Thanks for taking my question. I have a very basic question in terms of let's say the transformer cost is around INR10 lakhs to INR12 lakhs per MVA. Then what would be our component in that transformer that we cater to?

Nilesh Patel: It depends on like if it is a smaller rating of transformer say 1,000 KV or something that will cost around 20% to 25% or 30%. If you go to the bigger transformer if it is a low loss there are two kinds of transformer. One is of low coal loss transformer and one is high coal loss transformer. If it is low coal loss transformer then our cost will be somewhere around 35%. If it is high coal loss transformer then our cost will vary from 20% to 25%.

Anurag Purohit: Okay. So quite a significant in that sense. So what kind of makes players like Voltamp and Shilchar outsource this work to you? Is it because they themselves are facing capacity constraints in-house or there is a certain moat involved which makes them to outsource to you?

Nilesh Patel: So, first of all, they don't have this facility what we are supplying to them. And if one company decides to put such kind of plant they should have to make the transformer from 10 KVA to biggest setting to smallest setting which none of the transformer companies make. Because if few company is making power transformer they make power transformer they don't make REC range of 10 KVA, 16 KVA, 25 KVA such kind of things.

When you process this material if you process transformer lamination for the bigger transformer you will have a material from which you have to process the small transformer lamination also. But if you are making only big transformer that proposition doesn't get viable to you. Whereas, we make all kind of lamination and we take last kg or last gram of the CRGO as an output, which transformer company cannot get.

Anurag Purohit: Sure. So, our capacity expansion plans in a way also would kind of try to cater to their own capacity plans and the order that they are looking for next few years. Is that an assumption correct?

Nilesh Patel: One minute. You have to repeat your question.

Anurag Purohit: Yes. I was just saying because across the board some of your clients are also going aggressive on capacity expansion. So, our plans are in line with their plans?

Nilesh Patel: Yes. As I said, lots of transformer companies are expanding their plans because they have a demand. Once they will expand, they will definitely require more and more lamination. And if we are ready with our plant and equipment, we will be able to cater them definitely. And because we are serving them in their old plants, we will definitely supply them in their new plant. And our new plant is more modern than the old plant. The machines and everything we are buying of the latest technology machines.

Anurag Purohit: Sure. So, on the same lines are there any plans to reduce the client concentration? Because top five names are still somewhere around kind of two-thirds of the revenues. And I see some of the names like ABB and Siemens on your website as your customers. So, how would those client concentration move going forward?

Nilesh Patel: So, that choosing of the client probably depends on what price they give us and what payment terms they give us. This all depends. Sometimes your price is high so they don't give you the order. Sometimes your price is low they give you the order. But mainly, we are supplying to a Voltamp Transformers since last 23 years.

And we do these kinds of contracts continuously with mutual understanding, negotiation and everything. Because all transformer manufacturers require a strong and robust supplier who can hold their hand anytime. And this kind of relationship, when we develop with a few bigger companies, we are always hands tie with them.

Anurag Purohit: Okay. And lastly, on your balance sheet, I see somewhere around INR90 crores of cash. Plus, you have another similar amount coming from the IPO now. You also outlined in prospectus inorganic opportunities as well. So, what would these inorganic opportunities be in? Is the same product or you will go further into the value chain?

Nilesh Patel: As I said, we want to be a hub for the transformer ancillary, transformer components. So, we are putting up the new plant as a transformer radiator plant, which is again a very bottleneck supplier in the transformer. Lots of transformer are not getting delivered because of the radiator. They are not getting radiator on time. So, we are putting up that plant. And in future, we will add up one or two more products. But that is a future plan. So, right now, I am not revealing. But right now, we are adding up this radiator. And that also will be started from December onwards.

Anurag Purohit: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Tushar Raghatate from Kamayakya Wealth Management Pvt. Ltd. Please go ahead.

Tushar Raghatate: Good afternoon, sir. Thank you for the opportunity. I just want to understand like in terms of raw material, what would be the price difference if you procure from India vis-a-vis the exports?

Nilesh Patel: No, you said raw material. So, raw material will be imported?

Tushar Raghatate: It's 100% import.

Nilesh Patel: Or you are asking what to sell?

Tushar Raghatate: No, I am saying about CRGO, that ship. So, it's 100% import?

Nilesh Patel: No. We buy from the two local companies also. And we import also. Import is cheaper than the local companies. But we have to continue buying with the local companies also. As I said, that in CRGO, you cannot pick and choose that today you are selling at higher price. So, I will not buy from them. We have to keep relations with all the companies and keep continuing buying them. Otherwise when there is a short supply, they will not give us the material.

So, with these two local means, we are buying from them. Their prices are a little bit higher than what we are importing. But we are still buying from the local companies also around 15%, 20% or 30% of our total requirement. And 70% we are importing from other countries.

Tushar Raghatate: So, in case if a government imposes any high duty on your raw material, how do you see that going forward? Like, you know, your margin might be good going forward. In case, hypothetically.

Nilesh Patel: Sir, if duty will be more, then our cost will be more and our sales cost will be more. It doesn't affect our margin. Because earlier, we were used to pay 40% on CRGO. Right now, we are paying 5%.

Tushar Raghatate: Okay. So, that means your margin, no matter what, there would be no inventory gain, inventory loss. The margin would be maintained going forward, right?

Nilesh Patel: Sometime you get marginal gain on the inventory when the prices little goes up. But no, that's very minimal. Not the highest.

Tushar Raghatate: Okay. So, why I am asking is because our business is near to 12%-14% gross margin business. So, in that, in terms of working capital requirement, you are increasing your capacity to 3x. Have you increased your funding limit for the working capital?

Nilesh Patel: No. Even if we are required, we will use the non-fund based limit. Because we import everything on the LC basis.

Tushar Raghatate: Okay. Last question. As this industry is a fragmented industry, in terms of capacity, if you compare it with our nearest competitor, what would be the difference in the capacity?

Nilesh Patel: Sir, this question was a little bit echoey. So, I didn't understand this question.

Tushar Raghatate: Okay. So, what I am asking is, in terms of our capacity, if you compare it with our nearest competitor, what would be the difference in the capacity?

Nilesh Patel: Sir, after the increase of this capacity, we will be at par with our nearest competitor.

Tushar Raghatate: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Shubham Thorat from Perpetual Capital Advisors. Please go ahead.

Shubham Thorat: So, few basic questions from my side. The first one being, what is our total capital cost for this planned greenfield expansion? And, assuming we start operations at that greenfield plant in Q4-FY '25, when are we planning to reach its optimal capacity?

Nilesh Patel: Sorry to interrupt you. It's not clear sound. Can you speak a little bit slowly?

Shubham Thorat: So sir I was asking, what is our capex cost for this planned greenfield expansion? And assuming we start its operations in Q4 FY '25, when are we planning to reach its optimum capacity utilization?

Nilesh Patel: Sir by the next financial year-end we will definitely reach to the maximum capacity utilization. It's not capacity utilization. The moment we will start the plant, the installed capacity will be there. And, we will start marketing the things. We don't want to go too much aggressive because this is on credit basis. So we have to select the customer and then slowly, slowly increase our quantum for the sales. So by the next financial year-end, we will definitely be at the peak of what we have planned.

Shubham Thorat: And what would be the capex cost for this expansion?

Nilesh Patel: What? Capex cost what?

Shubham Thorat: I mean, what is the costing for setting up this greenfield capacity?

Nilesh Patel: Sir, it will be around what issue we have decided. We have decided on this capex plan only. So, somewhere around INR80-INR85 crores will be total capex in this entire production plan.

Shubham Thorat: I'm sorry, sir. The voice was not very clear. What was the number?

Nilesh Patel: So, this public issue, what we decided was we will look into this capex plan only. And, these all INR80-INR85 crores will be invested in this capex plan only.

Shubham Thorat: And the second question would be, what is the status of that core assembly unit currently? Is it already up and running?

Nilesh Patel: Sir as I said that we are going to install in a new plant. So we will place PO for that machine. And, that's why I'm in China right now.

Shubham Thorat: And when it could be commissioned?

Nilesh Patel: It will be in December.

Shubham Thorat: And lastly sir what are export margins compared to our blended margins?

Nilesh Patel: Sir even in this product export margins are somewhere around 2% or 3% more than the local margin. Because in export, there are heavy competition of China as well as few manufacturers in Gulf also. So it's not that if you do export we get very extraordinary high margin.

Shubham Thorat: So export business is actually margin dilutive?

Nilesh Patel: Not dilutive. Compared to Indian market, it is more but not extraordinary. In India, we always expect that when you export you have a very high margin. It's not like that.

Shubham Thorat: That's it from my end. Thank you.

Moderator: Thank you. The next question is from the line of Naitik Mohata. Please go ahead. The current participant seems to have dropped from the queue. We will proceed to the next question, which is from the line of Shubh Shah from Ratna Traya Capital. Please go ahead.

Shubh Shah: Sir can you please shed some light on the competition? So a few key players in the industry and their sizes relative to your capacity?

Nilesh Patel: Sir you have to repeat your question because first two lines I missed. Your voice is coming in breaking.

Shubh Shah: I was asking, can you shed some light on the competition? So a few key players and their sizes relative to your capacity?

Nilesh Patel: Our main competitor, there is one manufacturer called Kryfs Power Component. It is one of India's biggest. There is one Mahindra and Mahindra. There is one Posco. These are all our main competitors. Their size is like Kryfs is processing around 40,000 tons a year. Then Mahindra and Mahindra is processing 25,000 to 28,000 tons a year. Like that.

Shubh Shah: So between all of you the organized players would have what kind of market share here?

Nilesh Patel: Sir I would say 3 lakh tons was last year's total market. So, if somebody is catering 30,000 tons means 10% of the market share. So, it's all about 50% of the market is with the organized and 50% market is with the unorganized small players.

Shubh Shah: Sir my next question is on the receivables front. So in the past 3 years, 4 years, your receivables have drastically reduced. Was this just on the account of a write-off that was made in 2022 or that is something different?

Nilesh Patel: So you want to know the details?

Shubh Shah: Yes details about how have your receivables reduced so drastically in the past 3 years, 4 years?

Nilesh Patel: Because, there is a demand in the market and right now we are little bit strict with developing in the terms. When there is a demand, definitely we will reduce our credit facility and everything to the customer. And recently, in the last 3 years, 4 years, the transformer companies cash flow has been improved a lot. So, lots of customer companies like Walton, we were used to sell at 50 days credit. Now, we are selling at 30 days credit. And that is how we have reduced our credit terms to reduce total debtors.

Shubh Shah: So going forward, this is how the numbers would look like in terms of receivables. Is that fair to assume?

Nilesh Patel: Sir, if you have to count it like that, 45 days sales will be there in receivables, 45 days to 60 days sales.

Shubh Shah: 45 days to 60 days, alright.

Nilesh Patel: 45-60 days sales or maybe 1.5 or 2 times will be there in receivables always.

Shubh Shah: When you are doing the contracts, are you thinking in terms of EBITDA margins or something like EBITDA per ton or EBITDA per kg that is being optimized?

Nilesh Patel: So we work out our costing on the per kg basis for the different grades. Then we work out what we have to see, who has imported what material, what our competitor has, what kind of grade imported in last month, before that month, who is his client. And there are lots of propositions we have to work it out, what kind of material is available in the market, what kind of not. Then we decide as per our grade, our prices and then we do the contracts. There are lots of market studies before we do the contracts or before we sell our material.

Shubh Shah: And just last question from my side, how much time does it take to manufacture one unit -- in a general fashion?

Nilesh Patel: As you say, we are producing 11,000 metric tons in a year. So, must be around 40 to 43 metric tons every day we are producing. So, it depends if somebody gives us the 10 tons core and if our machine is free, we can deliver in one day. And if our production is planned for 15 days or 16 days, we are giving them the delivery schedule for the 17th day.

Shubh Shah: That's all from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question. I would now like to hand the conference over to Mr. Nilesh Patel for closing comments. Over to you sir.

Nilesh Patel: Thank you, all for being a part of our conference call and for actively participating in the call. We appreciate your support and trust in us. We hope we have been able to address most of your queries. In case of further queries, you may reach out to our Investor Relations Advisor, Stellar Investor Relations. Thank you, have a good day and thank you very much.

Moderator: Thank you. On behalf of Vilas Transcore Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.