

Transcript - LMW

Moderator

Ladies and gentlemen, good day and welcome to Lakshmi Machine Works Limited quarter 4 or fiscal year 2021-22 earnings call hosted by NSDL. As a reminder, please note that participants lines will be in listen only mode and there will be opportunity to ask questions after the belief by the company officials. If you require any assistance during the conference call and to raise questions, please signal the operator by raising hands. Please note that this call is being recorded. This is Samir from NSDL. We have with us Mr. V Senthil, Chief Financial Officer and Senior General Manager of the company. Over to you sir.

Senthil (C.F.O)

Thank you. Good afternoon everyone and thank you for joining Lakshmi Machine works Limited earnings call for Q4 and for the full year ended 21-22, we will have a brief about the overall performance of the company for the quarter ended and for the full year, followed by interactive session.

To begin with, let me explain about the overall performance of the company then we will proceed with segment performance and then consolidated performance. The financial results have been posted on the company 's website and hope you have all had a good opportunity to go through the same.

I am happy to share that the company achieved the highest ever turn over of crossing 3000 cores, which is 84% higher than the year 2021. This milestone was achieved amidst lot of challenges starting with COVID during Q1 and ending with the conflicts geopolitical issues as what we have experienced in Q4.

The major challenges was faced by the supply chain due to disruption of suppliers, hike in prices, raw material. In spite of these challenges we have overcome to achieve the milestone of crossing 3000 crores of turnover. We get back down to the numbers. The total turnover stands at 3016.76 crores as against 1638.88 cores for the year. Which is 84% increase the profit for the company before exceptions and tax stands at 254 Cross during the year FY 21-22 as compared to 96.31 crores for the year 2021, and it's a growth of 164%.

The huge rise in costs of inputs has eroded EBITDA to some extent, and for the Quarter ended March 22 the company achieved the turnover of 940.50 Crores as against turnover of 651.60 cores in the corresponding quarter of Q4 of FY 202. which shows a growth of 44%. The turnover between Q4 and Q3, there's a growth of 8%.

The EBITDA is 292 crores for FY21-22 as against 125.75 crores for FY20-21, which shows a growth of 133%. And For Q4 FY21-22 that EBITDA stands at 100.47 cores as against 53.74 cores Q4 of FY20-21, which is a growth of around 87%. The companies profit after tax increased to 179.68 crores as against 47.46 cores for the same period last year.

We would like go on to division specific, So now for TMD turnover for the full year stands at 2316 crores. And we have an order book of around 6800 cores and orders have been lined up for execution for next 16 to 18 months. But we would also like to say that in the order book, the share of the projects have been quite significant in the current year and it stands around 65 to 70%. As you know the way TMD has

performed over the 2 years, for the year ended Mar 2021 we used to see a lot of modernization projects come out and, but in the current year we see lot of end to end full projects has matured and that has resulted in a quite a good order inflow during the current year.

Even with respect to exports, we are seeing 100% increase in exports as well. And the export markets are also growing quite well. The ratio of domestic, exports and spares stands consistently at around 50%, 25%, and 25%. In the current year, we have experienced huge increase in cost and we have taken cognizance of it and increased our prices as well in Q3 of the year, which has just gone by and we did see that in Q4 there was a price stabilization, the cost stabilization which was happening. But however, by the end of Q4, because of geopolitical issues and COVID related issues, we see lot of headwinds on the cost aspect and the logistics aspect and also the availability of material. Like we said we are doing all what we can, to ensure the supply chain and delivery to customers continues.

We have also note that in Q4 we are seeing the details of PLI scheme for textiles being published and there is considerable investment being planned in the textile value chain is a good sign for us. We also know that there are short term issues with respect to cotton prices and availability of cotton. However, these are short term in nature as what we have seen.

We are currently running at full capacity and as you can see between Q3 and Q4, there has been an increase of around 7 to 8% in terms of top line for TMD. Our efforts on ensuring more delivers would continue, going into the future overall, since we have an order book our focuses on delivery to customers and working on the Supply chain.

With respect to China, we have a turnover of around 221 crores. The margin, we did break even in the year and the margin stands at around around 2 crores. Here again, the challenge last year has been an extraordinary increase in logistics cost where we have to deliver the machines along with freight and that is the one which has impacted our margin and there we again have one year order book going into the current year.

The challenge is there are quite evident with Corona and also the inability for the people to travel freely across 2 countries. We would also like to inform that during the Q4 we opened our LMW Middle East assembly facility and this got incorporated in February of 2022 and the full operations for this company would start by June 22.

I would like to now move on to MTD. For the full year MTD the turnover of MTD stands at around 690 crores. We have an order book of 2 months in this particular business. But the full year number of machines sold stands at around 3250 machines, 80% of it being the turning centers compared to last year. The increase in turnover is around 55% and our significant shipment to auto sector stands at around 49% and balanced for non auto sector. Here again we are introduced quite a few number of New models in terms of the vertical machine centers and that has supported us in terms of taking the turnover up.

In MTD the impact again has been on the cost and also the forex, as the input content in MTD machines, are higher. We have considering these 2 factors, we have done a price revision in MTD which is effective from May 22 and that would cover all these cost increases and we have been able to reprice the machines. Now going to Foundry, the turnover for the full year for external sales, is around 78 crores. This represents around 18 to 20% of our capacity here because the balance 80% is towards internal consumption and there has been a huge increase in textile machinery and machine tool division as well, what we are seeing

in the numbers which I just went, gone through and right now we are running full capacity even in Foundry division.

With respect to ATC, we have for the full year turnover of 48 cores as against the 28 crores for the same period last year ended March 21. We have over the last 6 months consistently work towards reducing the losses. However, for the full year there is still a loss of around 18 cores. We see that the export has picked up post COVID and here the focus would be to ensure there's a consistent turnover is getting delivered and also turn around of this division.

I think with this short, now we thank you. thanks for the participation. And now we can start the interactive session. Back to back to the moderator.

Moderator

Thank you so much, Sir.

I would request the attendees please raise hands if you would like to ask questions after the communication of your name and unmute status the moderator that would be me. May go ahead with your question.

But the people who would like to shoot questions would request them to please raise their hands.

First person that we have here is Mr. Dikshit. Mr. Dikshit you have been unmuted. You can go ahead. With the question and also with your video turned on, if you like.

Mr. Dikshit

Yeah, good evening Sir. Sir, this Dikshit from LIC mutual Funds. So my first question is because currently we are seeing that spinning mills are basically suffering from the no margin volatility right? So what is the current scenario in terms of new order booking that is happening across the industry?

C.F.O : Mr. Dikshit do you want to complete all your questions so that I can answer everything together.

Yeah yeah. So my second question is in terms of our gross margin. So historically we have operated at closer to 40%. Our EBITDA has been around for 11 and a half, 12% kind of margins, but in recent 9 months, maybe last 12 months are a bit gross margins have actually compressed around 36% and that has slowed down to single digit EBITDA marking. So, Just wanted to know your outlook event will be taking price hikes maybe to get back to our historical level. So these are the 2 questions.

C.F.O

OK. OK, I think I would definitely like to clarify that certain statements what we make here in the discussions in the call always be forward looking. Now on the scenario of order booking, if you go back to last 3 years I would say 19-20,20-21. There was definitely a lot of compression in terms of the orders, which was taking place. So what we're seeing in the current year, which is just completed, which is 2021/22 there is, there was a huge surge in the order intake and that's what I said our order book on hand is close to 6800 Crores. Would it mean that it is going to continue as it is.

It's going to be quite difficult to give any statements around it, but we see that most of the investors, the promoters of mills who have had plans, have already committed, and now they lined up their investments and everything. The current year would be more moderated in terms of the order bookings. What we

would say, but to see a similar kind of order booking would be quite challenge. I mean, it would not be possible for us to comment saying that it would repeat. Now, having said that, we see the PLI schemes are coming which is good one. We will definitely see order booking on a consistent basis and now as you mentioned in the cotton situation. We hope it is temporary with new supplies of cotton, perhaps coming in later during the year. It will all ease out. So I wouldn't take that as a major concern, the concern would still be around a lot of global issues.

Now, with respect to margins, I mean yes, you are right, the margins have come down to single digits up and we have seen this consistently right from the post COVID scenario of September 20 onwards, we have seen the prices have doubled most of the commodity are doubled, and they're not come down. From Company perspective we have taken 2 price revisions we have done. one in September or October of 20 and other one in December of 21 and the full impact of this would be felt in Q2 of the current year where all the price impact of the price revision, however We have to be cognizant of the fact the scenario in last 2- 3 months has again changed. Whilst we did see a slight dip on the commodity prices in Q4, that is Jan 22 to February or March middle of 22. Subsequently, because of the issues on availability of lot of things in material, inflation, so everything has again gone back up, price has gone up again. So it will be very difficult for us to put a timeline to which the cost would come back, but we are actively looking at the costs. What is the impact of it and how do you know you try to absorb it or try to Pass it down. That's an action what we take, and we continue to monitor it. Well like I said in case of machine tool business We had done a price revision which is effective from first of May because again the currency has, as you can see , the currencies weaken against a dollar and most of it being imports, we have to pass on some of this to our customers as well, and that action is being taken. So this is literally where are now, it has become a very active or quarterly kind of a scenario where we look at all these factors there for us do a pricing decision.

Thank you.

Moderator

Thank you so much, Sir. Mr. Dikshit, since your questions has been taking we would request you to please lower your hand. Going ahead with the next question. We have Mr. Hemang Kotharia. Mr. Hemang you have been unmuted and

Mr. Hemang

Hello, am I audible?

C.F.O : Yes, you are.

Yeah, Sir. Sir , I have 3 set of question. First is, I want to break up of order book from domestic and export point of view. Second is in textile new capacity will commit very like later stage in FY23-24 So do you see the spare business will do very well in FY23 because new capacity is coming. I think one or one and half year down the line and 3rd one is any risk you are saying for the textile machinery division be it logistical issues or be it manpower issues or any risk you are seeing to execute this 6800 crores order book over a 15 or 18 months timeline.

C.F.O

In term in terms of order book, around 10% of the order book is exports and as you can see what we consider order booking in exports are only those things with LC right. So 10% of that is with exports and 90% of the order book is domestic.

Now, with respect to textile capacities and the spares, spare sales, like I said, we have consistently been able to maintain and deliver, and the ratio of spare sales on the total turnover continues to be around 25 to 24%. That is the percentage on turnover we maintain and we have seen a consistent raise. There is a demand which is getting created for spares but at the same time this is basically because the mills are running at full capacity, so there is a requirement for additional spares. Not only because of delays in deliveries of 18 months and 24 months, but also because of inherently more wear and tear, which is happening in the mills. These are the 2 reasons; With respect to the risk yes there are 3 distinct risks. I think we should be looking at one is the fact on the entire scenario today from Q4 onwards has been a lot of electrical electronic costs related to electrical electronics are really gone up now. The supply chain, as you can see we operate in China we know the situation in terms of the shut down there nothing was happening for last 5 weeks to 6 weeks, so definitely we see that overall global supply chain is going to be impacted because of it. There's a long waiting time for us to clear our own imports into China. Where it is being held at either at port or at sea or in the warehouses. So definitely I think this could results of what if we go back to what happened in 2020 we could see as we're coming out of COVID the entire logistics costs shot up by 3 times to 4 times, so we see that also is a risk. So one is the fact that availability of material logistics costs going up dramatically. And also mainly around the electrical electronic components. All those things is going to be a challenge and that's the risks what we see in terms of delivery to our customers.

How we overcome, is plan much better, I mean we have done that last one and a half years I think the team is now wellversed trying to plan, but certain things it's quite difficult to overcome. Whilst we can secure our supplies, our supplier suppliers us perhaps still dependent on other markets for imports, right. So that would be definitely a risk, but as of now we are handling it. With you know, proactively going back to them giving them lot longer lead times, giving a commitment to them. These are the things that we are internally doing , looking for alternates, lot of things which are being done around this to negate these risks.

OK. Thank You.

Moderator

OK, thank you so much Sir. Thank you next is Mr. Mahavir Jain. Mr. Mahavir you have been unmuted, you can also start your video if you wish like and you can go ahead with your question.

Mr. Mahavir

Sure, good afternoon Sir. Thanks alot for the question. So firstly am I audible ?

C.F.O : Yeah you are audible Mr. Jain.

Thanks sir. So I'm Mahavir from Avendus. I have 2-3 set of questions. First is just wanted to be sure in terms of numbers, so can you sir again through again the total order book and order book from TMD vision and volumes in TMD divisions in FY22.

C.F.O : Yeah please going on Mr. Mahavir. Yeah.

Yeah, OK, so my next next question is on. So what is the exact capacity which is coming up in TMD and when it will be the operationalize and a 3rd is in terms of like we have mentioned, expressed some caution in terms of cotton prices you know, going up because of shortage and so is there any impact in terms of new orders coming up.

C.F.O : Can you repeat the question please?

So my 3rd question is like we have expressed some concern in terms of cotton prices you know, continuously moving up, and so is there any negative adverse impact on the ground level in terms of new orders coming up? Are we seeing sensing any that kind of impact?

C.F.O

OK. In terms of the volume delivery we have delivered close to 2 million spindles in 21-22. In terms of the order book, I would like definitely that clarify the total order book, which I said is 6800 crores posts of which 680 cores that is 10% of it belongs to exports. The balance is around 6100 crores is domestic order book. It's a mix of all the machines for which we have deposits with us. 10% deposit with us, and it's a very active order book, so we are looking at deliveries of this over next 18. Like I said 18 months and in certain small specific number of machines, perhaps a little bit long.

So with respect to capacities were running full capacity. As you can see, between Q3 and Q4 ours is a manufacturing sector, so the only way to increase capacity is to increase throughput and there is a lot of things which goes into doing it, so that's where you would see an a increase of around 7% in terms of turnover.

And it's a consistent work which has to be done by our manufacturing team to keep pushing for higher capacities. While we have planned for capex It would take time it will take they say to 9 months for the new machines to come in because everywhere the deliveries of Mother machines takes longer.

And subsequent to it, we're only bringing up balancing machines, right. So you definitely see consistently we push the upper limits of turnover what we have reached, what we've reached already is the peak turnover. In textile machinery business in the entire course; historically, if you see this, a peak turnover, right. So we will keep pushing the limits around there.

Now, with respect to cotton prices, what we have many. What I was mentioning is there is a concern which has come up very recently on the cotton prices and the price of yarn. However, what I said is that we don't look at it as a long term issue. Because it is to do with availability and the government has also taken lot of initiatives in terms of removing the duty content, but cotton issue impacting order inflow, I think cotton issues is very recent One. And these are all capex machines where customers are planning really longer term. And they are taking cognizance of lot of factors in terms of yarn, yarn demand. The fact that the PLI scheme itself If you see around 24,000 crores worth of investments have got committed under the PLI Scheme is an indicator that most of these investors, the promoters of textile mills and the composite units are all looking at really long term rather than a short term phenomenon.

That's with respect to the impact of the cotton prices on the order book. Whatever order book would come in would be based on much longer term planning of the motors and investors.

Moderator

Thank you so much Sir. The next question would be from Mr. Ritwik Sheth. Mr. Ritwik you have been unmuted. You can also turn on your video and go ahead with the question please.

Mr. Ritwik

Yeah, yeah hi. Hello Sir, good evening, can you hear me, Sir?

C.F.O : I can hear you, Mr. Ritwik.

Yeah, yeah there, good Sir, how are you?

Yeah, so first of all, thank you for doing a conference call and congratulations on a very good FY22. So few questions from my end. Firstly, on the textile machinery division you mentioned in your opening remarks, and subsequently that we have taken a price hike and in Q2 FY23 you expect that the entire cost sorry, price increase will reflect, so you know, with some increase in after Q4 on the material front and subsequently we've seen decline. Also, do you think that we would need another round of price increase or we are good with what we've taken a price increase in December 2021?

C.F.O : Any other questions Mr. Ritwik ? You can give me one by one.

Yeah, I have a few. OK sure, no problem. Yeah. So that is on that. And you know if we need another price increase or do you think that we will be doing any time any price increase soon or we'll wait for commodity prices to become less volatile and then take a call? So that was subsequent question to that.

Uh, on the on the demand or second question is on the demand front you mentioned that spreads have been volatile because of cotton prices or in the spinning industry. So have you seen any cancellation of any projects in the last 2 to 3 months because of this and also, there has been increase in cost for everybody like in terms of Capex for the spinning industry. You know, because of the increase in machinery, increasing other costs and so on. So you know, have we seen any cancellation because of all this or any pause in the order that we've received in the sale last 2-3 quarters? And then then my next question is my next question is on the machine tool division.

We are at a similar level as we are in FY19, when we're like at full capacity, about 700 crores for machine to learn about 100 crores for the foundry so you know, I believe we have enhanced capacity after that. So what would be the peak or turnover from the existing capacity that we can do assuming that you know the manufacturing theme continues in India and we are able to do good business in this segment as well.

And a last question is related to machine tools. Again, any update on the 5 Axis machine that was under testing and when do you think that it can come to market? yeah, yeah, that's it from my side.

C.F.O

Yes so with respect to our price, right now Yes, we did do 2 price revisions over the last 18 months. Now like I said, we are looking at the cost and how it is impacting. And like you rightly also pointed out, there was a bit of a softening of the commodity prices and most prices in Q4, but again it is reversed.

Like I said, this is something which we will continue to monitor and our decision would be based on both what we are able to pass on to customers and something what will absorb the depending on whether we see this as a long term or a short term cost. We have tried in fact when if you look at the history of the

price revision what we have done, we did try to to offset some of the increase for quite some time and then only we have taken a price increase so that policy would still continue. We'll have to actively look at it. It's impossible for us to predict today, what price? What is the cost of it? What is the cost impact and at what point of time would I be increasing the price would be very difficult for us to predict.

With respect to the Capex. And like I said today, the order books are full, people are looking at long term, so specifically there has been no, we are seeing further orders flowing in whilst you are talking about cancellations, we are talking about orders flowing in consistently on a month on month basis. So we are not talking of cancellations, but we are talking of order in flows. With respect to machine tool business. Yes, we have. We are absolutely right. We have increased our operational floor space last year we. And like what we had mentioned we are at around 690 crores, almost touching 700 crores definitely there is enough capacities available for another 25-30%, and that has been made available with through Capex investment for the machine tool business and again there with PLI in manufacturing, having come in and that also had a very good and its a very high number.

I'm sure that would go to support make in India and also the manufacturing sector export within the manufacturing sector will do quite well, and that's what we are seeing. Generally engineering, exporting of machine components and things like that are really doing well, so we are able to be prepared, we are. We are completely prepared with manpower with material with space, everything to make use of that.

With respect to the 5 Axis machine specifically, I think we will let you know as soon as it's commercialized. I mean, we will definitely inform you as soon as we commercialize the machine.

Moderator

Thank You Sir, next person with the question we have is Mr. Rushabh Shah. Mr. Rushabh you have been unmuted.

Mr. Rushabh

Hi Mr. Senthil, good evening yeah, so you have to understand last one one and a half years and have been really good for textile industry So from my industry perspective, since you're talking to your customers would you that you are getting the textile in this state inflation point. Like if I say now, the best is yet to come for the textile industry would that be correct?

And my second question is respect to the turn around in your situation you could share some more detailed strategies or some order book or some you know sitting there talking with the government currently you know major order that you have won if you could share some more details on that. How it is being, how they turn around will be more sustainable ?

C.F.O

Thank you for that question. Anything else, Mr. Rushabh or? So far I have only 2 questions. OK, so yeah, I think we have put it very nicely to justify the jump. I definitely if refer to last one and half years, but we would even take it back a little bit further. We also always had a challenge with respect to the spinning industry Or to even if you say 4 years back or 5 years back. Including you know with respect to customers

getting funding and many, many, many challenges, markets, raw material availability and everything, but definitely the fact remains that a lot of things have happened in last one and half years to 2 years.

I think the fact that, to start with the the support which has been given by the government, in terms of the new RODTP which is applicable. The aliening of the GST rates. And and also the fact that because of the geopolitical reasons the China plus one factor, what people talk about where the demand does come, come back to India. I think all of these are the factors which has resulted in the spinning industry gaining stability. Like I mentioned also previously there has been quite a tough time. The spinning industry has gone through between 19-20 and 20-21. I mean, it is unbelievably a tough, tough time, and there's the capex investments we're all kind of held back during this time, so definitely what we currently see is that they are coming and they have committed, and that is what is reflected in the order book, where they have all committed with their plans and putting in a deposit for them to roll out.

So today a new person coming in for machines is ready to wait 18 months for delivery that means that is the confidence they have in the in this sector. Now the turnaround story is yes, there is still a lot of support which is being given in terms of the targets also being set in terms of export targets on garmenting and things like that. FTA being entered into with Australia, with UAE, so I think all this have definitely helping our customers right. The people who are either in composite or in composite models or in the end garmenting and so who's our spinning customers customer, so those, so long as they are doing well, I think it would be a good turn around story which we look forward to and I think that what we should look look towards with respect to textile industry. I mean we are in a very strong footing and there is nothing right now which says it is going to be a challenge. The challenges definitely around whatever we spoke previously with respect to availability, material and geographies, some economies are not doing well all that is there. But still this is a long term, but it is definitely looking quite strong for India in textile industry.

Moderator

Thank you so much, Sir. The next person we have is Mr. Hiten Boricha. Mr. Hiten you have been unmuted and also we would request all the previous people who went ahead with their questions to please now lower their hands. Mr. Hiten over to you.

Mr. Hiten

Am I audible sir ?

C.F.O : Yeah, we can hear you Mr. Hiten. Please go on.

Yeah yes. OK so I have 2-3 questions sir. So my first question is on the number of spindle you mentioned that we have sold 2 million spindles in FY22. So just wanted to know what is the number in FY2020? What was the number in FY21? The reason I want to asking this question just wanted to understand what is the volume growth? Or is it a realization growth?

That's question number one and second question is you mentioned that we are running at full capacity currently, so just wanted to understand are we planning any Capex or so coming here and how would be our growth would look like in textile segment? That's it 2 questions sir.

C.F.O

Yeah, yes, I think see you we are planning, balancing capex as what we call it so we would definitely be looking at Capex additions. Because we need to be running all engines in terms of various manufacturing activities, have all to be in full utilization mode, right. So yes, we will be , we are planning capacities. I'm adding capex to do that.

With respect to the 2 million spindles, what we have delivered in FY22, I think if you go back the previous year if my numbers are right, I mean it is, it would be 40 or 42-44% less than this 2 million. That's how the numbers stand. I mean, I hope that answers your question. I mean, we have seen close to a 50% growth. That is last year's turnover stands at 1186, which is 50% of the current 2316, right. So it would be pretty much and in the same ratio In terms of spindle jobs.

Moderator

Thank you so much, Sir. The next person we have is Mr. Akshay Kothari. Mr. Akshay please go ahead with your question.

Mr. Akshay

Thanks for the opportunity. Sir I wanted to know regarding the order execution cycle. So what would be our order execution cycle in both of the divisions?

And second question would be regarding the revenue recognition policy. So you generally said that 10% of the deposit amount we get before hand only So when would be the other 90% or what are the stages at which we receive it? My 3rd question was regarding the Competitors who are our competitors and also the our customers competitors like the countries competing with India and spinning industry. And lastly the customer concentration which we have. Yeah that's it from my side.

C.F.O

The ordering cycle and textile machinery division like I already mentioned, the order books are quite long, that is 18 months is what is the so order book log. So you place an order for the machine today we will get delivery in 18 months, With respect to machine tool business. It is much shorter It is around 2 months.

So that's where the ordering cycle is with respect to revenue recognition. Textile Machinery division where we take the 10% deposit. The balance 90% is paid before delivery and on receipt of the money the machine getting completed we invoice it and then the revenue gets recognized so there's 10% is not going to be recognized in revenue. It would be held as a liability in the books of accounts till the balance 90% is paid and it becomes 100% for the machine value.

I think I would not want to touch on the competition. I think you have enough information available out there for you to do analysis by yourself. With respect to the spinning, I mean, if I understand you right, your question is where all the spinning say concentrated. I think in terms of spindleage, . Number one spinning capacity in the world is at China, followed by India. And then you have countries like Bangladesh, Indonesia, Turkey, Vietnam where we operate. These are our key markets so to say as far as spinning is concerned. OK.

Moderator

Thank you so much. The next speaker over the question is Mr. Anik Mitra. Mr. Anik you can go ahead with your question please.

Mr. Anik

Hello, am I audible ?

C.F.O : Yes, your audible yes please.

Good After noon Sir, congratulation for very good set of number. Sir, I have a few queries. First of all sir what is the life average life of a spindle?

Second one is sir China is a major contributor to Indian textile machinery industry. So can you throw some light like what is the share of China in Indian textile sector and what is your market share ?

Sir 3rd one is Sir, your Advanced Technology Center segment is yet to arrive break even so, is there any timeline you'd like to provide?

C.F.O : Can you repeat that question please?

Sir, the advanced Technology Sector Center. This segment is yet to arrive break even right, Sir.

Yes, Sir, so any any rough timelines are, well, we can expect this this will arrive break even?

C.F.O

Yeah, Fine, I think with respect to the life of the machine spinning machines. I mean, these are all clearly long life machines anywhere from 10 to 15 years. And in certain cases, even 20 years. It depends again on what type of machine this are. The technology is the one which keeps changing drastically whilst machine can run for 15-20 years, that not an issue is what is the output. What is the energy consumption around these machines? And that's where we come in with respect to the latest technology, what we keep introducing so that customers can upgrade the machines and are able to produce because at the end of the day, yarn is a commodity and you need to produce yarn at the most cost effective price to be competitive in the market. And so whilst there is life, we should also understand that there has to be Technology which has to be upgraded in rated for the customers to sustain in a very competitive environment. With respect to the machines import I think there are imported imported machines our market share on overall basis in India would be around 70% to 73%. Balance machines coming from various competition and perhaps from China as well.

With respect to ATC, I think the first and foremost point to understand within ATC is that these businesses are business with long term contracts. So when we see that there's an order book Especially the order books on export side for all the delivery where we have contracted for next 4 to 5 years.

As you can see from Q4 and also from Q3, we have been able to increase our turnover and also being able to substantially bring down our loss in that particular unit and the effort would be to definitely break you and that's being the guideline and that's been what we're consistently working towards, so we brought order books in there upwards of 300 crores and our only challenge would be as to when we deliver because these things are all based on pull offs. Where the customer would say that OK kindly deliver this so COVID has really taken a toll on it, where all the orders were pushed back and now from last one year there has been quite a good demand. Rather people are pulling as much of material as possible, so that

being said, I mean we are working towards it. You can see it between Q3 and Q4. It is definitely different from Q1 and Q2 of last year, so we would hope to break even in the coming year.

Moderator

Thank you,

Thank you so much. Sir, are we allowed to take more questions?

C.F.O : Yeah, I think we still have 5 minutes.

OK, OK so I think we can go ahead with 2 or 3 final people who have raised their hands. The next person we have is Kinnari Shah . Please go ahead with your question please. You have been unmuted. I'm getting no reply from Kinnari. OK, so since there's no reply, we can go ahead, with another person that has to use his hand. We have Mr. Manish Goyal. Mr. Manish we can have the questions of you.

Mr. Manish

Yeah, very good evening. Mr. Senthil.

C.F.O : Good evening, Mr. Manish.

Sir few questions. First on the textile machine capacity you did mention that we are doing the debottlenecking and installing the balancing point, but just want to know that today we are at run rate of 200 crores per month. How much more can we do going forward? Number one question is that. Number 2 we are putting up assembly facility in Middle East, so just want to know what's the rationale and will it be only for inference or it will be more products on the preparatory side as well ? And what will be the capacity over there? Number 3 in terms of new product introductions at both Preparatory to stage as well as post spinning stage. If you can share new product launches and how are we faring there and then in on PLI I just want to clarify that lot of investments have been planned for on man made fiber and technical textile. So like how do we see demand for our products emerging on the basis of this?

And last question, what will be our cash and cash equivalent? Because I believe some part of it is getting clubbed into current assets which is not reflected in investments and the cash. So because we have such large advances of 620 crores now But I believe your actual cash and cash equivalents would have gone up more than 1000 crores. So these are few questions. Sir. Thank you so much.

C.F.O

Yeah, thank you. I think absolutely right. Mr. Manish, we're averaging right now Close to 250 crores per month in terms of TMD. Like I said, this is a engineering things where we would like to use the machines, run their plant full capacity and it's an incremental work, so I even if we were to bring in additional capacities where you will see this growth quarter on quarter. I think that was the way I would like to specify to say that at what number we can get because we are putting in a lot of levers to get the number higher because the main thing for us is to ensure that we deliver faster to customers right at the end of the day. We are all interested to ensure faster delivery and that's why we focused on that. So yeah, we have to work around and we will work through the constraints rather and we will, you will see in Q3 and Q4 and you'll see further improvement in Q1 also. This point number one.

With respect to new product. Yes, I think we have pipeline of products which will come out during the current year which will commercialize. I think some of them towards automation on our spinning machines, which would really help in reducing the number of people who are going to be working in between the spinning side of it, so you got preparatory side and spinning side.

So, working towards automation on the spinning side. On the preparatory side we did introduce the new machines on the draw frame segment which we have introduced and on the machine tool side we had introduced what do you call vertical machining centers so we have a new set of series problem J1, J2, J3 Series of vertical machining centers and these are the new product introduction with respect to spinning machines and preparatory and machine tool.

With respect to the PLI scheme. Yeah PLI scheme whilst focusing on man made fiber, it also focuses on any product blends and everything. so there are customers who are investing in the spinning segment under PLI scheme as well. So, we have at least a handful of customers who have placed orders and who come under the PLI scheme. So I think when we talk about the man made fiber we're talking about synthetics, so leaving the technical textiles out between synthetics and our machines, the spinning machines are capable of running both cotton and man made fibers. So, there is we don't see much of a challenge around that.

With respect to the cash and the Cash equivalents you're right. I think the overall cash is around 1500 crores, what we have and the fact of which I like you rightly mentioned around 600 Crores relates to customers.

OK, thank you.

Moderator

Thank you so much, Sir. Do we have time for more questions or this is where we conclude, Sir?

C.F.O : I think can take one more question. I mean we still have a couple of minutes.

OK thanks. Thank you so much. So the next person who has raised his hand who for the question is Mr. Sanjay Shah. Mr. Sanjay. We have you unmuted, please go ahead with your question please.

Mr. Sanjay

Yes, am I audible Sir?

C.F.O : Yes, yes. Mr. Sanjay.

Yeah, thanks for opportunity, Sir, and appreciate Congrats on good numbers. So I have two questions. One was regarding what percentage of cost increasing in machinery in the hands of spinning industry right now, after increasing the price and my second question was since you pointed out regarding yarn industry as a commodity so going forward, this industry is facing a lot of challenges regarding increase in prices, maybe from machinery up to then raw material Cotton power, everything. So in that perspective, how do you see the growth of that industry and how that can impact our company in particular? Thank you.

C.F.O

So. I think both of your questions revolves around the cost now. I think to understand the cost in terms of how its matters and how it's getting passed on. I think we need to also understand where the costs of

come from and on where it is gone to. So if we were to take commodities and we taking about between July 2020 and the prices as we stand today in last 22 months or so, it has gone up by 100%. Right, if you were to take up logistics cost, it has gone up by 3 times. If you were to take polymers, specialty polymers, electrical, electronic, everything has gone up by it's gone up extremely high, you know. But when it comes to our price and how it is kind of impacted on the price revision what we give customers we take a very fairview and the overall cost of a project for a customer on average perhaps would have gone up a bit above 10% or so in a project investment again, I'm talking about in an average. And that's where we said whilst we are able to reprice, it has been a very hard task trying to catch up on the price revisions, which keeps on happening and it has been kept galloping so till now, so we'll have to just wait and see how it goes. How it'll be going forward.

Now yarn as a commodity, definitely yes. Everything what you mentioned. The machinery cost in yarn cost is fairly less, less I think the fact that the power, the cotton, the rate of interest, everything has got a play in the yarn price, right. And definitely the now the challenge basically is yes, how it is is getting absorbed. How this inflation can get passed on to the next person in the value chain in terms of the garment in the people and then finally to the final customer. So definitely it is going to and we will have to wait and see whether that cost increase is getting absorbed. We did see that it got absorbed last year. So post covid yarn price was doing quite well, so even today perhaps people who have purchased yarn and keeping yarn stock. I mean some not yarn the cotton stock are definitely doing better because they're able to still manage the conversion cost and earning money. Whatever is the reasonable margin's they have they get on the yarn price. I think that's what it is we at the end of the day, everyone in the supply chain in the value chain is trying to bear some of it, and but at the end of the day they will pass it on to the next person and then ultimately to the end Customer and that's what would happen unless the prices were to again temper and come down. And that's something which everyone is doing.

OK, I think that's it. Anything active moderator.

I would like to also say that, inform, the information just being presented during this conference is essentially published Historical information. All the information are available and it doesn't it shall not constitute a legal or investment advice or an offer to buy or sell securities.

OK.

Moderator

Thank you so much, Sir, for answering all the questions, if at all we have anybody with their questions left can send over their actions over the email.

Thank you so much, I believe we conclude our meeting here. Thank you so much. All of the attendees for joining in thank you.