

SHILCHAR TECHNOLOGIES LIMITED



Date: 9th February, 2024

**To
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001
Through: BSE Listing Centre**

Script Code: 531201

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

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 we hereby enclose the transcripts of investors meet held on 6th February, 2024 at 10:00 AM post announcement of financial results for the third quarter ended on 31st December, 2023.

Kindly take the same on record and acknowledge the receipt.

Yours faithfully,

For Shilchar Technologies Limited

**ALAY JITENDRA SHAH
MANAGING DIRECTOR
DIN: 00263538**

Encl: As Above

OFFICE: BIL ROAD, BIL, VADODARA - 391 410, GUJARAT, INDIA.
REG. OFFICE & WORKS: NEAR MUVAL SUB STATION, PADRA JAMBUSAR HIGHWAY, GAVASAD, VADODARA - 391430
PHONE: 0265-2680466, 2680566 (BIL PLANT), 7624090901/2 (GAVASAD PLANT)
E-MAIL: info@shilchar.com **WEBSITE:** shilchar.com
CIN: L29308GJ1986PLC008387

SHILCHAR TECHNOLOGIES LIMITED
Q3 & 9M FY'24 investors meet / Earnings Call

TRANSCRIPTS (edited, wherever required for more understanding)

Mr. Alay J Shah: Managing Director

My name is Alay Shah, Managing Director of Shilchar Technologies Limited I would like to welcome everybody to this investor meet. I will just go through our results and the expansion plan and then we can have a question answer session. We just had our Board Meeting yesterday and we have declared the results for Q3. As you can see we have sales of Rs. 121 crores including the other income, also profit before tax was Rs. 34.84 crores. so if you compare with the previous quarter Q3, there is a growth of 72% in revenue, growth of about 72% in sales and around 119% in profit after tax. if you talk about the 9 months comparison total revenue for this year 9 month is about Rs. 300 crores as compared to previous years 9 months was Rs. 191.90 crores.

We had already started phase 1 expansion which is going on in full swing and it is plan to be operational from first April 2024, so this phase will increase our capacity from 4000 MVA to 5500 MVA. The office building which is under construction is expected to be completed by June or July 2024. we have already started working on the phase 2 expansion which is a much bigger expansion than the Phase 1 expansion and this will increase our capacity from 5500 MVA to 7500 MVA. In total, we are increasing our capacity from 4000 MVA annually to 7500 MVA. We expect the turnover of around Rs. 800 to Rs. 900 crores in two years. The total order book as of 1st January is Rs. 355 crores and we have also added some more orders in last one month. Our order position is good there is a very good demand in the market and we have a good presence in the renewable energy sector especially solar and wind from where we are getting lot of enquiries and expect large quantity orders in coming months so this will help us in our growth for the next year by utilising the Phase 1 and partially the phase 2 expansion. That is all from my side. Now you can raise question.

Question:

Thank you very much for organising this call this definitely would be helpful for the retail investors to get better information about the company. Because, this is the first call and impact the first presentation that have been shared out. I can get some understanding about the basic business of the organisation that would definitely help. The first question would be around what is it which really tries to maintain such a handsome margin for us. what is the point of that we have in terms of sustaining this healthy margin that we have .

Mr. Alay Shah:

I think we do better in terms of margin compared to our competitor because we do lot of exports of Transformers. These exports are not in third world countries like Africa and other places but they are in Middle East like Saudi Arabia, Kuwait UAE Oman and also in North America in USA and Canada. Of course, to export to these countries we need to have a very high standard of quality, a very high standard of servicing and also efficient design. Along with this, another reason for the better margin is that our plant is very very efficient and we do manufacturer Transformers in a very efficient manner. This push our

margins. The third thing is that we don't have any finance cost so we are not borrowing anything from the banks and whatever the cost of interest other competitors has which we don't incur so that also added into the margin.

Question:

Do we anticipate some pressure on margin going forward or we can maintain the margin?

Mr. Alay Shah:

We are confident that we can maintain the sort of margin that we have so as of now. If you look at our results since last four quarters we have been maintaining the margin. Whatever the order position we have on hand I think will be able to sustain this margin for at least another one year. I mean I cannot say anything you know beyond that we are very confident for next year where will be able to maintain this margin.

Question:

In export market, is empanelment or Extra certification which helping the Company or strength of company in export perspective?

Mr. Alay Shah:

Transformer is a very critical product and if any failure it would be a big loss to the consumer and the customer entry barrier is very difficult. The quality has to be of highest standard. The customer don't put trust from day one. I mean they go through approval process and the trial process and then only the requirement starts. we have gone through this process since year 2010 so we have now reached at good position in international market where everybody, all our customers recognise and trust us and they buy their most of their requirement from us.

Question:

What is the kind of margin profile that would have even if not a specific number if you can give me the Data between your domestic business and export business.

Mr. Alay Shah:

I will be very frank with you locally also the margins have improved in last one year for higher demand of Transformers. so locally now we get a margin of about anywhere between 15 to 20 % and in export it is anywhere between 30 to 50% depending on the type of transformer.

Question:

How many MVA used in 9 months at the bottom figure?

I don't have the exact figure but I it will be in range of about 3000 MVA.

Question:

Ok can you mention that for the next 3000 MVA your revenue from 3000 MVA is Rs. 800 crores?

Mr. Alay Shah:

We have a capacity of 4000 MVA at present out of which and this year we are running 100% capacity so this year we will end up with a turnover of around Rs. 400 to Rs. 420 crores that is the 100% full capacity and then next year we will have an edition of capacity which will be 5500 MVA and from July 2024 onwards when the Phase 2 expansion completes then the capacity will increase to 7500 MVA.

Question:

With 7500 MVA you mentioned turnover between Rs. 800 that's about Rs. 10 lakh per MVA. Which is KV class?

Mr. Alay Shah:

We are not into the higher KV class as we have capacity to manufacture up to 132 KV. We have made few Transformers of this 132 KV class Transformers but our majority production is 66 KV and less.

Question:

Your capacity up to 132 KV but most of your sales is at 66 KV and lower case which basically distributive power distribution? You do not have industrial transformers? Is it like oil cool transformers.

Mr. Alay Shah:

We are more into the renewable energy sector so we make Transformers for the solar and wind industry. These are oil cool transformers.

Question:

I'm just wondering any reason why the realisation for us is usually 2x the general realisation that I have seen in per MVA.

Mr. Alay Shah:

So it varies from Transformer to transformer. Now if you are talking about the substation or distribution transformers, the cost is very low and easy to manufacture. Whereas, the renewable energy transformers are very difficult to manufacture. They have multiple output and lot of other requirements which we need to take care in design and manufacture. it's very difficult to know say or standardized that per MVA price will be so much there are so many different types of Transformers so it varies from different type of Transformers.

Question: Most of your sales is linked to renewable? you do only renewable type transformer to be supplied to private utility?

Mr. Alay Shah:

Yes We do not do any business with any government utility companies. Not only renewable but majority of the sales comes from renewable supply Transformers in cement, coal industry, sugar industry, oil and gas industry and so on.

Question: Who are your competitors?

Mr. Alay Shah:

In renewable we compete with small companies there are no big multinational companies in this sector and all these companies have a turnover of about Rs. 100 150 crores or nearby.

Question: just lastly how much is your renewable as a percentage of exchange it would be?

Mr. Alay Shah: I would say around 60% and export this year so far is almost around 40%.

Question:

On the current quarter what would be the spread between domestic and exports and I know that would be fair to assume that in domestic 90% is renewable and exports 90% for oil and gas.

Mr. Alay Shah:

This quarter I think almost 45% in exports and 55% is local and export no I mean we supply lot of Transformers for different application also it's not only oil and gas. Domestically yes I would say almost 80 to 85% for renewable energy sector

Question:

Any export which would be the top two sectors if you catering to?

Mr. Alay Shah:

Distribution Transformers, renewable energy and oil and gas.

Question:

What would be the maximum Power class that we would be able to manufacture here.

Mr. Alay Shah:

We are not increasing the power class our capacity will remain up to 132 KV class only and so our present product range what we are doing we are just expanding the capacity.

Question:

Margins For the last 10 years of course we have seen different cycles and a margin last picked out in FY 17 it was about 16-17 percent and currently is about 27. What has changed operating leverage? whether higher exports? If there is a down cycle to me see that kind of something structural has changed.

Mr. Alay Shah:

So, three things have happened. one is that we have made a new plant about five years back which is a very efficient plant which is profitability second is that export has also gone up with a new plant you know the system the quality standards and everything improved so we started getting more orders from our export customer Ahmedabad. Third thing is the demand is increased so that is also post the margin combining these three factors have increased the profitability

We are anticipating demand in renewable energy sector. This is mainly because of the government push government is targeting almost like you know 35 to 40 Gigawatt of the renewable you know projects to be installed each year so this will generate a huge demand of Transformers and I think for next 5 years at this demand should continue according to our study because of this reason only we are increasing our capacity and grab this opportunity new capacity both the phases comes in over the next five six months.

Question: usually how much time does it take to fully utilise this

Mr. Alay Shah:

It normally takes about 2 years for 100% utilise the capacity so I think FY 2025-26 we should be able to get 100% capacity

Question: can you give the breakup of geography”

Mr. Alay Shah:

I cannot tell you the exact name of the countries but out of this for almost 30% is North America and balance is Middle East.

Question: ok sir and second on renewables do we just in wind and Solar Transformers in India.

Mr. Alay Shah: It's very difficult to you know give this number but our market said would not be more than probably 15% again this is just our estimate I mean it's not a confirm figure.

Question: final question, has been increased charging stations if we are told that if charging station has a 30-kilowatt Line or even 60-kilowatt line then they need a separate transformer from the distribution. Are we looking to get into the space?

Mr. Alay Shah: no right now we don't have any plans to get into it because this will be a very small Transformer say about you know 25 KW or 50 KW and typically they will be at right time Transformers so we are not into this.

Question:

I want to ask you prices of raw material of transformer has become better in last one year. are the prices of Transformer making raw material which you buy I am asking the Transformer lamination sheet ceramic insulator is there any short supply in the market or they are easily available in India for you to manufacture?

Alay Shah:

So right now, there is no shortage of any raw material. it's available plentiful. After covid there was a increase of price in all the raw material the right now some of the raw material price have actually come down or it has become stable ceramic insulators are available plentiful. I mean we haven't you know any indication of shortage of any material like that in the market.

Question: so, we know India the renewable is driving the Transformer demand but I want to ask you what about North America what is driving the Transformer demand there?

Mr. Alay Shah:

Innovation or same renewable resources renewable is also going in full swing as well as the you know replacement of whole Transformers which were installed in mid 50s and 60s they are also being replaced and that has also generated lot of demand for distribution Transformers.

Question: ok and last one your expansion which you are doing I mean nearly doubling the capacity for 4K MVA are you targeting the same business mix. I mean this new unit will also be dedicated predominantly for the Exports.

Mr. Alay Shah:

Export and local but with same product mix

Question: which respect to Indian domestic market is there any regulatory because we all talk about make in India and is there in terms of the solar and wind mission. are there any regulatory tailwinds coming or any kind of regulatory support you get for Transformers segment?

Mr. Alay Shah: - there is no subsidy or any such kind of support by the government.

Question: In the competitive intensity of your Sector I mean there are fairly large companies like whole time work prominently in to industrial site and what stops them to get it to these kinds of business of solar.

Mr. Alay Shah:-

It depends on the management. They have to select the specific area for which they want to make the Transformer and they are well placed in the industrial market so I mean at the same time I suppose that renewable energy sector is opened up and there is lot of demand so their competitors are you know focusing on that and they are taking maximum advantage in the industrial segment where the competition is reduced because of this it's just my estimate I mean my guess.

Question:

I just want to know if the order visibility for the next two years domestic and export both and the expansion that we have planned is it through the value of the amount to be incurred.

Mr Alay Shah: It is through internal accruals completely. The Order position is good right now I mean we already said this initially in the presentation and we expect to grow good demand from the market. The expansion will cost approximately Rs. 30 crores including both phases and this is from the internal accruals. We are not borrowing any money for this

Question:

so generally, the order that we get the timeline of completion is how long?

Mr. Alay Shah:

It depends on the project and customer to customer but anywhere between 4 months to 1 year.

Question:

my question is regarding the margins by what time would the 7500 MVA capacity.

Mr. Alay Shah: Like I said earlier it will be are expecting to fully utilising in year 2025-26.

Question: till the time it doesn't reach that optimum utilisation would there be any margin related impact coming in?

Mr. Alay Shah: There is no borrowing cost on us so will not affect us.

Question: The second question is more long-term kind of questions if you take the period of 2004 to 2008 we had a kind of a very similar cycle in transmission and Transformer sector when the lot many players were expanded the capacity required something very similar happening the players which are left in the sector are also expanding kind of doubling analysis. How is this different as compared to what you would have seen last time?

Mr. Alay Shah:

I don't think there is any difference. it's quite similar when there is a demand everybody is expanding to Grab that opportunity. I think it's the same scenario what we had seen in 2004 2005. of course, at that time we were not into this oil pool transformers is the same kind of competition in terms of number of players and pricing. There is more demand than what you know transfer manufacturers can supply but I am sure that that situation will change with everybody putting up you know expansion plan next year or year after that the situation power finger cross that the demand also can increased then the present day.

Question:

New player wants to get into the sector or some enter into the market how much time would it kind of action to hold in.

Mr. Alay Shah

It take lot of time so where is quite difficult and you need lot of approvals also by government Laboratories. it's not easy to enter you know in the market being fresh.

Question:

If you look at the Transmission and distribution keeps happening right now do we like in India and what kind of talents do.

Mr. Alay Shah:

Also we are not into this line we don't make Transformers for transmission or distribution so of course there is a lot of demand as per my knowledge and the demand is going to continue for next few years it will not affect us in any way so basically the Transformers we create are used at generation only. what we make is mainly for the Solar projects and for the wind projects and for the industrial use would this be a very large part of our revenue than 70 to 80%.

Question:

With Rs. 30 crores we are expanding our capacity to time is it fair to say that do you know Transformer making is basically assembly kind of business assembly.

Mr. Alay Shah:

cost in our case is low because we already have the land be the basic structure is already at place like the connection Road water everything. if somebody has to start new project would be much more expensive but in our case it is quite low land parcel of the area we have knowhow. From here now we have a huge place so we can start everything. we can have an capacity around 30000 MVA.

Question:

Congratulations on good set of numbers so demand for overall transformer is on higher side I mean we are not into drive type market segments so why cannot tell you very authentically anything what are there is a good demand for dry type transformer also.

Mr. Alay Shah:

There will be always requirement for oil cool transformers. Again, it depends on order to order. Some orders are only like you know 20% margin and some orders have more than that. It depends on the customer requirement, the quantity and all those things.

So I think I would like to end this investor meet, I think I have covered most of the points and I think I see that now there are repetition of questions.

Question:

I would like to thank you for you in this and Limited yourself to 3500 MVA and get the opportunity like you know jump to 5000 MVA or something.

Mr. Alay Shah:

We always believe that the growth has to be manageable and sustainable So we will never take a risk of expanding our capacity three times or four times. we would like to go time step by step.

Question:

I had one question first of all congratulations on the fantastic numbers. You said that for the American markets as well as for the Kuwait region you are working is for the renewable segment, right?

Mr. Alay Shah:

it's all segment renewable, oil and gas, distribution everything

Question:

we were able to find while seeing the export numbers for your company we were able to find out that it was more concentrated towards oil and gas so is that going to continue over the next one year or do you see some segment shift?

Mr. Alay Shah:

right now in all market segment the demand is good. We are very hopeful not only for one year but for few years going forward.

Question:

What is the percentage of export orders that you have in your order book over the next one year.

Mr. Alay Shah: Whatever orders we have is 40-60 so 40% is for export 60% for domestic.

Question:

As far as the designing team is concerned for believe that for company that is manufacturing capacity goods engineering seems to be one of the most prominent areas that needs to be very strong. Are you placed in terms of your design capabilities?

Answer:

Our design team stands very strong in designing and that is why we are at this position. We are the technology company and not the regular transformer manufacturing company. That is why we are not into this you know distribution Transformers or the regular type of Transformers. we make the specialised Transformer for special segment and we are very strong I am also involved in designing of Transformers.

I think we need to stop here because I think we have covered most of the points again thank you very much for attending this meeting.