

**August 20, 2024**

To,  
**The Listing Compliance Department,  
National Stock Exchange of India Limited,**  
'Exchange Plaza', C-1, Block G,  
Bandra kurla complex (BKC),  
Bandra (East), Mumbai-400 051,  
Maharashtra, India

**Symbol: MACPOWER****Series:EQ****ISIN: INE155Z01011****Subject: Submission of Conference call transcript.**

Dear sir/ Madam,

The Company had organized a conference call for the Investors on Wednesday, August 14, 2024 at 3:00 PM to discuss the financial results for the quarter ended on June 30, 2024.

The transcript of the said conference call held with the Investors is enclosed herewith. The Company shall also disseminate the above information on the website of the Company- [www.macpowercnc.com](http://www.macpowercnc.com).

Request you to kindly take note of the same.

Thanking you

Yours Faithfully

**For MACPOWER CNC MACHINES LIMITED**

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**Macpower CNC Machines Ltd**

**Q1FY25**

**Post Results Conference Call**

August 14, 2024 03:00 PM IST

**Management Team**

Rupesh Mehta – Chairman & Managing Director

Rajnikant Raja – Chief Financial Officer

Kishore Kikani – Company Secretary

**Call Coordinator**



Strategy & Investor Relations Consulting

Disclaimer: - This transcript is edited for factual errors

## Presentation

### **Vinay Pandit:**

Ladies and gentlemen, I welcome you all to the Q1 FY '25 Post Earnings Conference Call of Macpower CNC Machines Limited. Today on the call, from the management we have with us Mr. Rupesh Mehta, CMD, and his management team comprising of Mr. Rajnikant Raja, CFO, and Mr. Kishor Kikani, Company Secretary.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainty. Also, this is a reminder that this call is being recorded.

I would now request the management, to detail us about the business performance highlights for the quarter that went by, post which, we will open the floor for Q&A. Over to you, sir.

### **Rupesh Mehta:**

Yes, good afternoon everyone. First of all, I earnestly welcome you all to quarter one '25 post result conference call. Thank you very much for believing in your company as an investor. I wanted to assure you that we are fully committed to maximise the value of our shareholders, and we promise to deliver the best of us. With your support and backing, we are confident to achieve even greater heights in the days to come.

We will have a brief about the overall performance of the company, for the quarter ended 30th June, 2024, followed by an interactive session. The financial result and presentation have been posted on our company's website, and hope you have had an opportunity to go through the same.

Let me explain the overall performance of the company. This quarter '25 has been marked by the Macpower's remarkable performance, compared to Q1, '24. In terms of all the aspects, the revenue, EBITDA, PAT, EPS, order book, et cetera. I am delighted to announce that our company has achieved the growth, whatever we committed.

I would like to quickly run you through some results highlights first, then we will discuss more about the business. So Q1, FY '25 revenue ₹50.22 crore. It's YoY 24% growth, compared to Q1 last year, which is the highest revenue in Macpower's history in Q1. So Q1 EBITDA was ₹6.57 Cr, which is increased by 95%, compared to YoY last year.

Q1, FY '25 PAT is increased to ₹4.02 Cr compared to last year YoY, 98% growth in the PAT. Highest ever pending order book in Macpower history, which is increased to ₹283 crore. The number of machines

quantity is 1542 on 30th June, 2024. Dispatch machines value in Q1 is approximately ₹50 crore, and against we received ₹70 crore new orders. So almost 20%, 25% every quarter new order we are adding in our baskets.

Now production capacity is already increased to 2,000 machines, compared to last year 1,500 machines. Existing our 200-kilowatt installation of solar plant we have, and already now we ordered 600-kilowatt solar plant. So, almost our electric energy bill is 80% to 90% of our energy bill generated by the solar.

And last Q1, we invested ₹2 crore for the CapEx as we are increasing our CapEx, to get the more production, productivity and backward integration. And this 1st August, we already started our new R&D center facility at the Bangalore, and the result we are expecting from this R&D center is 5-axis machining center, EMS, PCB and semiconductor.

So in this January, we have one exhibition in Bangalore, which is the largest exhibition of Asia. It's called IMTEX, where we are going to display the 5-axis' machines and EMS machines. And these machines will be produced through our Bangalore R&D center. As we had mentioned in our presentation that we are discussing with, for the joint venture with some of the foreign companies for the technical assistance, and future expansion plan.

And as we promised that we keep the Macpower your company a debt-free company, and the one good news from this new budget for this segment is the Mudra loan. The value of Mudra loan was only ₹10 lakh, which is increased to ₹20 lakh and the time duration is very fast for this small loan. And second thing is SIDBI increased their distribution, by almost 100% new areas they are adding. So our customer will get the finance very quick and with a very low cost margin.

And as we promised that we sustain the growth of 20%, 25%, and we are promising this journey in coming quarters' also. EBITDA margin increased by maybe right now EBITDA margin the highest achievement of EBITDA margin is 17%. There is future scope of another 10% with the backward integration and production and productivity. So in future we can increase the EBITDA margin. Thank you very much, Vinayji. So if you have any questions, then we can start the question-and-answer.

### Question-and-Answer Session

**Moderator:** Sure sir, anybody who wishes to ask a question may use the option of raise hand. If you don't have the option available you can just drop a message on chat, and we will invite you to ask the question. So just to begin with we have the first question coming from Mr. Ajay Surya. Ajay, you can go ahead please. Hello. Ajay, we are not able to hear you. Yes, you can go ahead now.

**Ajay Surya:** Hello?

**Moderator:** Yes Ajay. Yes Ajay.

**Ajay Surya:** Sir my question is sir, if we see our average realization in this quarter according to number of machine then sir on an average in last quarter which was around ₹19 lakh to ₹19.5 lakh it has fallen to ₹15.5 lakh in this quarter. So sir can you tell us the reason behind this, why this drastic fall has come and going forward what can be the number?

**Rupesh Mehta:** Ajayji first of all it's ₹18.76 lakhs, which is not ₹15 lakhs and the reason of this ₹1 lakh, which has been reduced is, because our entry level billing has increased, and the billing of higher-end products, has been extended due to payment in next month. So the average price, is not much gap it was coming ₹20 lakh, it is almost nearby ₹19 lakh.

**Ajay Surya:** No sir like this quarter, we have sold 324 machines and our revenue is ₹50 crore.

**Rupesh Mehta:** Dispatch is 262. You are looking at the booking.

**Ajay Surya:** No sir, you have written in the presentation that the number of machines sold is 62 high value machines and 262 is others and we have sold 324 in total.

**Rupesh Mehta:** So it may be some mistake Ajayji, but totally I will check the presentation. Vinayji, please see the presentation. Total is 262 and average price is ₹18.76 lakhs.

**Ajay Surya:** Okay sir. And going forward as this new capacity has come so with this high value machineries, you will be able to sell at faster rate and so, with that how far can our average realization go?

**Rupesh Mehta:** Average realization was 20 in last quarter so after the end of the year some big machines like Double Column and VTL, we will start their

regular production and dispatch. So I think, we will be able to sell 24 to 25, because defense also has high value order. So, we are expecting ₹25 lakh that the year-end average realization will increase.

**Ajay Surya:** Okay sir. And second question is that in this quarter, our gross margin has improved a lot. Last year, we were doing 30% gross margin and last quarter it was 35% and this quarter it has increased to 37%, 38% so sir...?

**Rupesh Mehta:** So the reason is backward integration and it will be in continuity. Like you have heard in many conferences where I was talking about backward integration, which will improve the margin. So realization of many components and effects have started coming. Some are telescopic covers, and some are cylinders. So instead of 30%, 60% is now done in-house and so, there is a margin improvement on the bill of material.

And second thing, is that defense machines worth ₹2 crore has been dispatched, were very high valued and it was high margin machines. So this was regarding backward integration and some premium products dispatched. But regarding margin, it will keep on improving. So gradually when the backward integration increases, there is a gap of 10% that we will keep on improving the margin.

**Ajay Surya:** Okay sir and final question. Sir, because CNC machineries is a capital good industry, so this quarter due to the election the dispatch will be less, according to your expectation? I mean if you could shed some guidance on this?

**Rupesh Mehta:** Yes, Ajayji, in my total career and machine tools and if we take them out from all the peers companies, then the first quarter is always like this. But according to me, if we calculate the billing from the election and April, then it will be more than my expectation in the first quarter. Normally, the trend will be 15% to 20% of total business for the first quarter. This is the trend of the capital goods industry, because in April, no ones balance sheet are ready.

So no bank or NBFC will give loan. So the whole April will be almost empty. So the total business realization average for the first quarter of all companies and also my own Macpower will be 15% to 20%. In the second quarter, will be 25% and third quarter 25% and in fourth quarter 30% to 35%. This is the average trend. So this is not unexpected, it is natural. So it's always the trend of capital goods in the first quarter.

**Ajay Surya:** Okay sir, these are the questions. And sir, just clarify once.

**Vinay Pandit:** Hello, Ajay, can you hear me?

**Ajay Surya:** Yes.

**Vinay Pandit:** Just to clarify on your query, the total machine sold is 262 which includes 62 high value machines. Okay.

**Ajay Surya:** Okay. Okay.

**Vinay Pandit:** So that's not separate. If you take this against the execution, it will come to ₹18.8 lakh per machine average.

**Ajay Surya:** Okay, that clarifies.

**Vinay Pandit:** Yes.

**Ajay Surya:** Yes. Thank you. All the best for the future sir.

**Rupesh Mehta:** Thank you Mr. Ajay.

**Moderator:** Thank you. Sir, we will take one question from the chat from Mr. Manoj Rawat. Any update on the new land and JV partner and ₹2 crore CapEx is towards what? Can you elaborate on backward integration?

**Rupesh Mehta:** ₹2 crore for the some of the machines we ordered, it's delivered in Q1 and the crane for the construction we purchased, the average fixtures and tooling. So this ₹2 crore is for the CapEx for the production, productivity and some of the backward integration.

For JV, we are discussing with the three Japanese and German players, for the technical know-how and for the land of new expansion, is already they show the land, and already they send the report to the ministry. Now I think we are waiting for ministry's clearance. Maybe I'm expecting that before January we'll get this land.

**Moderator:** Sir, we'll take the next question from Mr. Samarth Nagpal. Samarth, you can go ahead please.

**Samarth Nagpal:** Yes, sir. Good afternoon, sir. First of all, sir, congratulations for a great set of results. Macpower is consistently performing well and whatever guidance you are giving is well thought through. Sir, I have a few questions, not on the numbers or something. In the last concall, you said that you are working on a dealer model where we will have our base

models so that our order will be fulfilled quickly. We will keep some base models with the dealers. Sir, how is that model working for us? How is the uptake coming to us? Is our execution getting faster? The base models that we have, doesn't require much specialization. Sir, if you could give some guidance on that?

**Rupesh Mehta:**

So, we have four or five dealers with us and from that two dealers have a very good inventory. So, we just have to visit them and deliver the machines, which is delivery in a day where we have a standard catalog product, having 70% of the market is of catalog products. So we are keeping the machines ready, like how we keep a car in the showroom. So that model has been very successful.

We will also inflate stocks in our own R&D center in Bangalore from next month. We will also do it in Coimbatore, where we have recently bought a new place. We also have taken a place in Chennai. So we will keep this entry level stock to sell, at all centers. People will not wait at the entry level. They will see the machine, take a trial of it and then purchase it. It is a new trend and we have got a good response.

**Samarth Nagpal:**

Yes sir. Yes sir, the second question is our order book is very healthy. And as you have given guidance that we have 20% to 25% addition in the order book per quarter. Sir, my current order book, is it correct to assume that in the next six to nine months, this order book will be executed? And do we have the capability to execute all these orders, and, as the defense orders will be coming in with many more orders. Are we on track for that?

**Rupesh Mehta:**

So the order books that are coming, it's not one-time orders. As I said earlier, if there are 10 orders, four or five machines are dispatched on a daily basis. The order book is dispatched on a per day basis versus new order received. But as I said, you can see the order book. So on quarter-on-quarter, I would like to see the order book increase by 20-25% compared to dispatches.

Secondly, we will never bring all the orders on the floor for execution because the customer has given a token advance of ₹4 lakh, ₹5 lakh, ₹1 lakh. So until we get an advance of 25%, we will not bring it on the shop floor. As I said, it is a capital goods and 95% of people get subsidies, so they will take loans. So only if they take a loan, they will get subsidies.

So the interest also will be reimbursed around 7% to 8%. Thirdly, they are getting tax reimbursed through GST. So, there are many people who

book orders, and they need the delivery after three to four months. So, we will maintain this order book. In fact, if you look at the last three, four quarters, so quarter-on-quarter your order book is increasing, because we need this kind of order book. So, we have to plan it properly.

and whatever machines are on the shop floor, we have our rule that all the machines on the shop floor according to plan, 95% of it should be dispatched. There should not be more than 5% forwarded otherwise there will be a space issue for next month's production. Now, we have got extra space for 500 machines. So, this order book will be sustainable, and it will never be completed.

The more we dispatch it, so we will try to get 25% of new orders. As I said, two days back, we appointed 35 new people in sales. They will go to the field and by Q2 and Q3 they will bring new orders. We have the sales and service force. They have become the highest sales and service team in history through which we will add more orders, and the order book showing in Q3 from which we will be adding 20% new order book.

**Samarth Nagpal:**

Sir, I have one last question. It was related to the sales team. We have a very specialized sales team. It takes a lot of time to train them, on how to pitch orders and book them. I know there is competition in the market regarding source. So it was related to the culture. So what is there in Macpower that we hire sales team so that they work with us and so it's retained by us so that the attrition does not climb up. I'm sure, because training and et cetera is a long process because the value of the product is high. What is the difference in our culture that we retain the sales team and new people are also joining us around 30 to 35 people, and will continue working with us. So that is the last question.

**Rupesh Mehta:**

So for training we ask them to sign a bond. If he has less than five years, experience then it's a 2-year bond. Second, Macpower is the only company in India who are paying the variables. For example, so after their salary, they will be getting after per machine and also on the value of the machine on every order and also on billing on both they'll get an incentive plan and the realization is quarterly.

Another attraction is that in the award ceremony, they have the top 1, 2, 3, position the highest 100% and 100% plus which the branches has performed you get a separate bonus. I think this is not the case in any other company. The third thing is that we meet them quarterly in a center or in Rajkot with every RM team. In their monthly meetings, we have all the branches of the company for sales and service there is a

separate HR team who take care of their CRM reports, daily visits, administrative expenses, their KPIs, performance, and training.

So they get support at the local level through the branch because it is very far from the HO. There are branches in 30 cities. Calcutta, Jamshedpur, Chennai, Bangalore, Coimbatore. So, we give them regular support through HR, so that their gap analysis does not become long. This is one reason why people who are senior in sales have been associated for more than 20 years.

**Samarth Nagpal:** Thank you so much sir. I hope our next quarters and years will be like this. Thanks a lot, sir.

**Rupesh Mehta:** You only say that everything goes well for the next year.

**Samarth Nagpal:** Sir, absolutely. I think I have attended concall with you and I have learnt a lot from it. All the best to Macpower. It is great being associated with the company. Thank you, sir.

**Rupesh Mehta:** Thank you.

**Moderator:** Thank you, Samarth. Sir, we will take one question from the chat from Mr. Abhijit. What are your export plans?

**Rupesh Mehta:** Export right now we are not focusing, but in Q3 we will start the new export. Right now, there is an opportunity in Russia. There is an open market for the Russian buyers, but it will affect the joint venture. So, we will not focus this Q2 for the export, but yes Q3 and Q4 we will focus in the export, but total India's export is not that much. According to my knowledge it is not more than 2% to 3%, definitely which has increased year-on-year and the last two years India's export has increased just because of Russia.

Because nobody is giving the machine to Russia except China and India. So, but if our Japanese JV partners is entering then they would not prefer that if any of the company is exporting to Russia. We will not focus this financial year unless and until we have a huge plant capacity and production capacity that will focus on Q3, Q4 and the realization of this export business, we will expect from 2025 financial year '26.

**Moderator:** Sir, his second question is how do you see the demand scenario going forward, and how long do you expect this to continue?

**Rupesh Mehta:** The demand is increasing by 20%, according to the figure of Fanuc, Siemens and Mitsubishi, who are the largest supplier of all the OEMs with the CNC systems and Indian machine tools associated data, the demand has increased by 20% with the two different way. One is India developed the few machines, which import substitute machines and the government education and our Indian manufacturing segment.

Because as I always told that without machines manufacturing industries cannot be sustained, and the government is giving lots of encouragement to the small scale and medium scale entrepreneurs to increase the manufacturing facilities to providing the soft loan, interest free loan and subsidies. So, I think in this budget also, they are focusing on these industries, manufacturing particularly to provide the employment.

So I thought that end of the year, India will achieve 15% to 25% growth, and compared to same growth I think we are expecting in your company also.

**Moderator:** We will take the next question from Aniket. Aniket you can unmute and ask your question.

**Aniket:** Thank you sir. So my first question is that, a lot of activity seems to be happening in defense and especially in aerospace in India. So how is this flowing down to you in terms of order, and are the margins better in the sector?

**Rupesh Mehta:** Aniketji, right now aerospace industries we supply to the HAL, and they require the many different types of the machines 2 axis, 3 axis, 4 axis, and 5 axis. So most of the aerospace company is under the government, so the tender floated by the HAL and other relevant company. We are expecting that in that segment, we can increase our market share by 8% to 10%.

**Aniket:** Okay. Got it.

**Rupesh Mehta:** Some of the technology like 5 axis machines they're required. We already supplied the 5 axis, but fully 5 axis dedicated to the propeller shaft and aircraft we are launching on coming January exhibition.

**Aniket:** Okay. Yes. Got it. So another question is that last year, we went to the margin of almost 17%, so where do you see margin this year and with the higher order book and capacity?

**Rupesh Mehta:** So margin will increase with the two aspects, as I told you last time that if our top line, because we have a fixed leverage, fixed cost. So margin will increase if our top line will increase, and backward integration. So I am expecting this year will definitely reach to 19% to 20% according to that still we have another 5% to 7% room to increase the margin.

**Aniket:** Okay sir. Got it, sir. That's it from my side. Thank you so much and all the best.

**Moderator:** Thank you. We will take the next question on chat from Varun Mahajan. What is Macpower vision for next five years and what are the milestones planned to be achieved each year over five years? Also can this vision be impacted? Should there be a change in the political scenario in the government?

**Rupesh Mehta:** I think, coming five years, we are expecting that we will increase the capacity by 20% to 25% same growth we are expecting 20% to 25% year-on-year, but as I announced that we are discussing for the new plant and new expansion, where we are going to keep the big capacity. And almost all the backward integration facility we are adding. So average out five years growth, I am expecting in conservative way by 20% to 25% year-on-year.

And government scenario will not that much effect to this industries, because it's the backbone of manufacturing segments even we have approximately 200 countries in the world. But the manufacturing of this kind of machine is not more than double-digit Italy, Germany, Taiwan Japan, India some of the machines in U.S., Korea.

And the consumption by all of the countries, like railway they require the machines, mobile they require the machines, automobiles, power sector, plastics, dye and moulds. So everywhere machines is the basic essential things. So I am not think that this political scenario will effect this industries.

**Moderator:** So the next question on the chat is from Mr. Keshav Tantri, how hard it is generally to find talent and bring them up to speed in this industry. I am asking this question keeping the new R&D facility and bringing it up to full productivity in mind?

**Rupesh Mehta:** Full productivity?

**Moderator:** This means the way they are seeing it is, to how to reach the full production level and to do new R&D so as to how easily we get talent

and how much time it will take to train them and make them ready for production?

**Rupesh Mehta:**

Look, I think for production and productivity we have many facilities, and almost you must have seen we have made a realization of 95% for plant capacity. But for talent, so if we need next generation machines in which metal adding technology is coming, which is called 3D printing. After that PCB manufacturing, after that semiconductor manufacturing, after that EMS, electronic machining.

So for all these sectors you need a good skilled legendary R&D person who has 20 to 25 years of experience or JV. So for that we have Bangalore, where skilled manpower is easily available, because of Bangalore's environment. So there we will do R&D and we will do manufacturing here, but for skilled manpower which we have to develop for manufacturing.

For that we have an SOP, for that we have also a training center, where we have production, productivity and skill improvement we have a lot of programs for it. So for that we have to ramp up skilled employees related to production, which we require only three months.

**Moderator:**

Perfect. We will take the next question from Jatin Jadhav. Jatin, you can go ahead please.

**Jatin Jadhav:**

Hello, Namaskar Rupeshji congratulations on a good set of numbers. Sir, I have only one question that the JV we are planning with German and Japanese players. What is the agenda for that? Is it transfer of technology or we are getting into higher-end, much more advanced machining - and what is your vision for JV?

**Rupesh Mehta:**

One vision is the technology which they have. So if they are struggling a lot, because that technology only a very few Indian players have it. So they have it and they are famous worldwide. So next generation machines will be developed on this technology, and the growth will also come from there. Second, if we do a JV, in that we will require a big investment, which we are talking about new expansion.

So, in that JV we will discuss in two ways one is technology and the other is their funding will also be required. And the third is, they have a worldwide distribution network which is ready. And India has never exported in a very established way. This has also happened through dealers or through single direct customers.

But they have a consortium of three to four companies together, so they have a worldwide distribution network is ready. So, India's cost affective and quality machines can be distributed, we can get their technology and with their brand, we can become a worldwide player with their ramp up and speed it will become easy.

**Jatin Jadhav:** Thank you, sir. The second question is apart from 5-axis which will be our latest machine. Then eventually higher-end 6, 7, 8 there also these types of machines, is it correct sir?

**Rupesh Mehta:** No, if 5-axis is there so then simultaneously 5-axis is done. There is no issue for 6, 7 axis up to 5-axis that is the most challenging. After that we just have to add one motor and nothing else.

**Jatin Jadhav:** Okay sir. That's it. All the best sir.

**Rupesh Mehta:** Thank you.

**Moderator:** We'll take the next question from Kush. Kush, you can go ahead please.

**Kush Tandon:** Good evening Rupeshji, congratulations once again on a good consistent quarter, good growth year-on-year. Sir, last time we had a conversation so you gave some guidance ₹300 crore to ₹350 crore we can target this year. Sir, any update on those numbers that you would like to comment. So you are saying that 20% to 25% growth so in a ballpark can we expect ₹300 crore this year sir top line?

**Rupesh Mehta:** We can't say exactly, but I told you that we will fulfill the promises. We are moving ahead on this bracket and accordingly the plant capacity has expanded. Our sales force has grown bigger by 30% to 35% so the realization will be seen in Q3. The order book is good. Plant capacity limitation has also passed away. I think, we will move ahead in the same growth rate and you will see the result quarter-on-quarter like you saw the growth from last quarter to this quarter. So in every quarter you will feel that.

**Kush Tandon:** So what you are saying is year-on-year, we can expect 20% growth on a quarter basis?

**Rupesh Mehta:** That is minimum requirement, but when we have done a big expansion, you will understand that there will be quite a big production ramp up.

- Kush Tandon:** Okay. Understood, sir. Margin sir again we are guiding decent improvement in the margin 19% to 20% so sir, is that something that you can really achieve this year sir?
- Rupesh Mehta:** Some components - like I have participated in many conference. I had said that by doing backward integration and higher value product and defense execution the margin will increase. So its realization has come.
- Kush Tandon:** Okay. Okay, sir. Sir, congratulations sir those were my two questions. All the best sir.
- Rupesh Mehta:** Okay Kushbai. Thank you.
- Moderator:** Thank you, Kush. We will take next question on the chat from Mr. Anand Choudhury. What is the update on the capacity addition, and when are we targeting to add another 2,000 machine capacity?
- Rupesh Mehta:** Right now, we already executed 2,000, 500 machines have been included. We are now 2,000 machines, we can build up. Another 2,000 we are planning with the new land and new expansion, but in this premises Q '25, '26 we can add another 500 machines with the help of CapEx of ₹10 crore to ₹15 crore.
- Moderator:** The next question is from Mr. Jai Mehta, what are your plans regarding capacity addition in order to fulfill this order book, and would you be expecting profit margin to increase through greater manufacturing?
- Rupesh Mehta:** I think as I told you we cannot supply all the orders 1,500 orders in this year, but whatever the execution will complete say for example last year 230 to 260 we supplied and new order will receive. So order book, we expect that will increase, because we need strong distribution network in India. We need all the product basket, which our peers company have.
- So this execution, I think 100% will not be completed it is adding day-by-day, month-by-month and quarter-by-quarter. Yes, we have some of the product, which is the premium product in Macpower where compared to our competitor we are getting the good premium also. So, we can increase the margin by backward integration. We can increase the margin by our top line and order book Yes, we need the more orders.
- Moderator:** The next question is from Mr. Karthik. ₹340 crore bid that we have given in defence what is the strike rate for the same that we have seen in the defence sector?

**Rupesh Mehta:** I think, there is no time limit for the opening of bidding, but normally it takes six to nine months for bid opening, and out of that I think average out last five years, experience for tender bidding. We won between 15% to 20%.

**Moderator:** Next question is from Mr. Anand Choudhury, what is the risk you see in our business in the near-term, what could go wrong?

**Rupesh Mehta:** What is the - can you repeat?

**Moderator:** What is the risk that you see in the business in the near-term?

**Rupesh Mehta:** Risk I am not feeling, because we always play the risk free even in corona there is no risk in your company. We earn the money to manufacture N95 mask and BP kit, and we don't have a debt also. So it will not - that much risk factor I am feeling. And second thing is, 80% cost of your company is variable. So if there is something has happened in the country, then we can reduce our cost, because our fixed cost is just 20%.

So I am not seeing that there is a much of threats in this industry. Yes, threat is the technology, threat is the demand is increased by every year by 25%. So, we have to fulfill this demand, because as in my last conference I told you that we are seven people who are contributing India's 80% to 85% business. So the threat is we have to give the production, productivity, quality, delivery and new technology.

And - that's why we started R&D center, that's why we are increasing our R&D cost, that's why we are increasing our distribution network. So, I don't think that much threats in Macpower, because with God grace we never faulted for the GST income tax, any dues or supplier salaries, even in Corona also. So 80% cost we keep as a variables. I don't feel that much threats in your company.

**Moderator:** Next question is from Mr. Chirag Haldivala. What is your USP against the competition, and how will you be able to protect and grow your market share, any threat of international competition or import?

**Rupesh Mehta:** We have some models like as I will explain you like an automobiles. There is a 1000cc car. So we have a same car like a 1000cc same models, but our features is different. So we explain the customer that our machine is 45 degree slant bed. We are using the roller guard, which is the premium like a power steering or you are using the very good brakes or like that. So what is my benefit, benefit is you increase your

tool life. You can have a very good productivity, and third thing is the service.

We have a nearby service to you and our price is lesser than our competitor by 5% to 10%. We are adding you more features, and our service is good. And we are selling the machine by segment-to-segment, because in India each and every city have their own segments Jamnagar is for the brass part Rajkot is for the bearings, razors and automobile component and Coimbatore is for the wall body. So we show our past experience. We show them our performance certificate by the customer.

We demonstrate the machine in customer place. So this is our USP that whatever we are saying, we can prove it. So they are getting the lesser price. They are getting higher warranty. They are getting good service and with the higher features, where we can get good tool life. Our consumables cost is reduced with the Macpower machines. So this all kind of the benefits, we explain we prove it, and then this customer will give us a minimum 10 orders in their entire life. So this is our strategy.

**Moderator:** We will take the next question from Deepak Pandey. Deepak you can go ahead please.

**Deepak Pandey:** Thank you Rupeshji for the opportunity.

**Rupesh Mehta:** Yes, thank you Deepakji.

**Deepak Pandey:** Thanks for the good sales. Sir, I have a few questions on JV. Is there any plan for fundraising if JV goes ahead?

**Rupesh Mehta:** Now, this is not a primary discussion, but they have a past experience with India. So they will not talk before that, because after giving their technology their trust level will reduce. So we'll see if they are entering with their technology or not. So the primary thoughts is not funding.

**Deepak Pandey:** Understood sir. Sir, if we talk about realization in FY '25 and FY '26 what are we seeing for per machine?

**Rupesh Mehta:** I am targeting our realization will average around ₹25 lakhs in which we will have a Double Column, HMC and 5-axis and EMS machine which we are launching in January through Bangalore exhibition. So, we will get that realization round about in '26. So the average out price I am expecting is around ₹25 lakhs.

- Deepak Pandey:** Sir, this is for the next year right, FY '26.
- Rupesh Mehta:** '26.
- Deepak Pandey:** Got it, sir. And sir, you said in your remarks that we can also go up to 25%, 27% margin is that correct?
- Rupesh Mehta:** Yes, you can do total backward integration in that place, like CNC control you can never do 100%. You have to take it from outside. So in the world there is only Fanuc, Siemens, Mitsubishi. No one makes ball screw and LM in India and in the world. So there are many things like for example, bearings, belts, sheet metal.
- So maximum of my studies and my knowledge, 45-55% material required for Indian players. So for Macpower, the segment that we are in, there is a chance of 10% margin improvement.
- Deepak Pandey:** Understood sir, Understood. And sir, this 25% to 30% margins we see going ahead. So how much time will it take three to four years, any idea?
- Rupesh Mehta:** I think after going to the new plant, the rest of the backward integration say for example, foundries and after that it will take place in the new plant and from that I think it will take minimum two years to reach the margin level, but like I said in Q3, Q4 through some components we did backward integration we will put our CapEx around ₹10 crores.
- So that realization has taken place, so 1% or 2% improvement will be seen on quarter-on-quarter like the top line will increase and backward integration will also take place. But the ramp up that has to be done will be executed only in the new plant.
- Deepak Pandey:** Understood sir. Sir, last question from my side - how much revenue can be generated from the EMS segment this year, this year and the year ahead?
- Rupesh Mehta:** For EMS in India, very less revenue has been generated, but there is an offset from this segment, a lot of revenue can be generated. So from my knowledge in the January exhibition, you will see in the stalls all the players EMS machines. So, till now there is not much big execution, but as per the investment on EMS in India and the government is also showing the vision on EMS, it seems that by next year EMS will see a significant growth.

- Deepak Pandey:** Understood sir. Thank you for the time sir. Best of luck.
- Rupesh Mehta:** Thank you.
- Moderator:** We have two more questions in the chat one is from Jehan Bhadha. Have you started selling to the EMS sector. How much can it contribute as a percentage of total revenue in two to three years?
- Rupesh Mehta:** I think that India's EMS market, compared to our total consumption versus our total production approximately ₹16,000 crores to ₹18,000 crores is our consumption for metal cutting. We are producing Jehanbhai around ₹8,000 crores and this upcoming new market for India EMS will give the contribution of not more than 10% of their total consumption. So I think ₹1,500 crores, ₹1,000 crores, 1,500 crores will grow on average per year.
- Moderator:** And one more question from Mr Pratap Maliwal, can you please repeat the capacity expansion plan for this year and next year and the total CapEx including the plan you will incur going ahead?
- Rupesh Mehta:** This year we already recently completed our CapEx and capacity it's already now 2,000 machines. So, we will add another 500 machines in next financial year maybe January, February '25. So there is no plan yet right now, in between we will add some more CapEx for the backward integration. Some of the major components, which we are importing or we are buying from the suppliers.
- So, we have a 2,000 machines capacity. Recently, two months back only we added 500 machines. So next 500 will plan in 2025 and another Capex, will add for the improvement of the margin supply chain, for the backward integration.
- Moderator:** We will take the last question for the day from Mr Ajay Surya, Ajay, you can go ahead please.
- Ajay Surya:** Hello?
- Rupesh Mehta:** Yes Ajaybhai.
- Ajay Surya:** Yes sir, if we see our product portfolio sir, majority of our machines are of turning centers and in turning centers there are many big players like Lakshmi Machine and other players, who dominate that market. So sir, I want to ask you how is the market share evolving there and because the market is going to grow fast. So sir what is the competition intensity

like is the import increasing fast or are the domestic players capturing the market. Can you tell us about the industry in terms of turning centers it will be helpful?

**Rupesh Mehta:**

See, one - the first question is that somebody had asked about import, but it got skipped. So regarding imports, the set of entry level machines and the entry level is ₹6.5 lakhs, ₹8 lakhs. Those machines came to India, but were not that successful, and because the requirement is very skilled. So if you see the prices of France, Germany, Korea, Taiwan and Japan compared to India it's almost two times and performance, service and spare charges are very high.

And if there is a breakdown, then the machines will not be working for months. We also have imported a lot of machines during the IPO time. So we faced a lot of problems. So Indian machines are reliable. They are cheap and the spares are easily available. So the import threat will not be that much. You mentioned about Lakshmi Machine and the turning machines market. So, the turning machines, are the basics of the total machine tools consumption.

As a simple example if you take the automobile industry, in automobile industry the number of two wheelers vehicles will be more compared to the number of cars. So the two wheelers are our CNC turning machines and the VMC is the car. The rest is HMC, VTL, Double Column are the trucks, buses that is the market size of consumption. So the entry level of turning machines will always be more in numbers.

If you see the value wise of Macpower - VMC VTL, HMC all the products have a contribution, apart from turning machines. And if you speak of other companies and if you see their YoY there is not much growth there. You'll see more growth here. So all these things are low cost manufacturing, and it is in this environment there will be realization. So, we will not see their threats anywhere and we don't even think that there will be any more threats.

So what threats we think will not be with the technology, so as the new world is standing, so the turning machines, VMC, HMC, VTL, automation, robotic, gantry and defense. So, if we are dependent on them then the vision of the next five years that will be fulfilled and our average will be 20%, 25%. So, we have to be a very big player at this level. So, we have to acquire a JV company and the new world which is coming, EMS, 5-axis, aeronautics, PCB, metal adding technology, we have to enter in these.

So I don't think that the existing product will be a threat, because if you talk about the peers company and their manufacturing cost it's very high compared to last year Macpower is just 17%. Then also we are selling 5% to 10% lesser price with higher warranty and higher features. So the product that MacPower has, I don't think that anyone can give threat to Macpower, because we are very much famous for operating cost, operating leverage and debt free.

So all these weapons will be in our favor of us for the next five years, but we have to do a ramp up. So what I said regarding export, we have to do a big expansion through JV in new technology. So, this journey for next five years the challenge which we'll be facing worldwide distribution network and new demand and new world is being created and all these products will be the first time in India. So, we have to work hard for that.

**Ajay Surya:**

And sir, final question means internally what is our target or what timeline are we thinking with regards to JV and in case if that doesn't work, then also our plan will be targeting CapEx of 2000 to 4,000 machines so will it be intact, or it will be dependent on our JV?

**Rupesh Mehta:**

There is no connection with JV regarding another expansion.

**Ajay Surya:**

Okay.

**Rupesh Mehta:**

So the new plan that we are talking about regarding expansion. We are adding JV and that is a separate thing. We are working on expansion and that is final. And for this, we'll be needing government help and it is also going ahead. And second, we are not dependent on JV that's why from 1st August we have started our first R&D center in Bangalore where we'll be making next generation machines and we are also making those machines, and we are also displaying them in January exhibition.

So without JV we are moving ahead, but if you have a world brand, like if you have a brand name Maruti and you join it with Mercedes then it will make a difference. So, in worldwide distribution network it will make a difference. So, we are not dependent and regarding JV it's based on terms and conditions in which how much entry we can take. How much investment can we make and what technology will be given so it's time-consuming process. But with JV we have no connection regarding our expansion, but the expansion is happening then it is a great opportunity that we can do both things together.

**Ajay Surya:** Got it, sir. Got it. Sir, all the very best for future. So, I always feel good listening to you. So, keep doing this good work.

**Rupesh Mehta:** Thank you very much.

**Moderator:** Thank you, Ajay. Sir that brings us to the end of today's conference call. Would you like to give any closing comment.

**Rupesh Mehta:** Thank you very much, everyone. And Vinayji does very good conferences, he has become very busy. And we would like you to move ahead and all the shareholders who has joined us through you. I give them the assurance that this journey has started from Q2, Q3, Q4. So you have to understand this business as Ajayji said if you have something new then for capital goods industries I always say, not only Macpower, not only machine tools, if you track any capital goods company then never exit in the first quarter and never look at the fourth quarter and enter.

So, this is a good interaction and by interacting with you I'm also getting the same passion, and what I communicate to you I also get passionate and enthusiastic. So, thank you very much everyone for joining Macpower and the promises we have made to you, we will fulfill them. Thank you.

**Vinay Pandit:** Thank you, sir. And a really nice point you said about Q4 and Q1. So, thank you for joining on this call all the participants and thank you to the management for their valuable time. This brings us to the end of today's conference call. Thank you.