

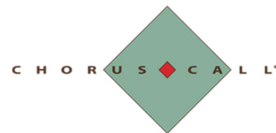


Permanent Magnets Limited

“Permanent Magnets Limited
Q4 & FY25 Earnings Conference Call”
May 28, 2025



Permanent Magnets Limited



**MANAGEMENT: MR. SHARAD TAPARIA – MANAGING DIRECTOR –
PERMANENT MAGNETS LIMITED
MR. SUKHMAL JAIN – SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER – PERMANENT MAGNETS
LIMITED**

MODERATOR: MR. SAYAM POKHARNA – TIL ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to Permanent Magnets Limited Q4 and FY '25 Earnings Conference Call hosted by TIL Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sayam Pokharna from TIL Advisors. Thank you, and over to you, Mr. Pokharna.

Sayam Pokharna: Thank you, Renju. Good afternoon, everyone. We appreciate you taking out the time to join us today on this call. The investor presentation has already been uploaded on the stock exchange and on the company website. To take us through today's results, we have with us from the management team, Mr. Sharad Taparia, Managing Director and Mr. Sukhmal Jain Senior Vice President and Chief Financial Officer.

We will begin with a brief overview of the quarter and the full financial year from Mr. Taparia, followed by a Q&A session. Please note that any forward-looking statement made during this call must be viewed in conjunction with the risk and uncertainties that we face. These risk and uncertainties have been outlined in our annual report.

With that, I would now like to hand over the call to Sharad, sir.

Sharad Taparia: Yes. Thank you, Sayam. Good afternoon, everyone and thank you for joining us today for PML's Quarter 4 and Full Year '25 Earnings Conference Call. I will begin with a review of our performance for the past quarter and financial year. FY '25 has been a year of consolidation and transition for PML, marked by both challenges and strategic initiatives that we believe will lay the foundation for future growth.

For the financial performance overview:

Let me begin with a summary of our financial results. For financial year '25, PML's consolidated revenue from operations registered a modest 2% increase reaching INR 205 crores. This growth is subdued compared to our historical trajectory as a result of challenging operating environment last year. For the fourth quarter, revenue was INR 45 crores, representing a 16% decline year-on-year. This was primarily driven due to a by a weaker demand in certain key business segments.

On profitability front, margins reduced during both quarter 4 and the full year. EBITDA margins for financial year '25 is at 15% compared to 17% in the previous year. For Q4, EBITDA margin is 11%, down from 12% in the corresponding quarter last year. This reduction is largely attributable to higher operating expenses, including developmental costs, which we incurred during this year, as well as certain one-off charges.

It is important to note that these developmental expenses have yet to yield financial returns, but are expected to contribute in the coming periods. Additionally, there are higher depreciation expenses, reflecting our recent investments in capacity and capabilities, which

have further impacted profitability for both the quarter and the year. Now I would like to update you on the business segments.

For the electric vehicle and automotive segment:

Demand from the EV segment has remained muted throughout financial year 2025. Our exposure in the EV industry is primarily due to Western OEMs, particularly those based in the U.S. and Europe, who are currently facing intense competition from Chinese OEMs.

This has led to a deceleration in their demand, especially as the initial rapid adoption phase in the EV market appears to have moderated. In response, we are actively diversifying our customer base and deepening our engagement with the Indian EV supply chain where Tier 1 supplies to leading domestic EV OEMs already underway.

We are committed to increasing our penetration in this segment despite near-term headwinds and believe that our ongoing efforts will position us well, as well as the market will stabilize.

Now regarding the smart meters business:

Turning to our smart meters business. Our domestic smart meters orders were lesser, mainly due to lower demand from our key customers. To address this, we have taken some steps to broaden both our product portfolio and the customer base.

A significant milestone was the addition of latching relays to our portfolio through a licensing agreement with REL Developments Limited from U.K. This agreement grants us the know-how and technical knowledge required to manufacture and sell latching relays, both within and outside India. However, our initial focus will be on the domestic market.

We are already in discussions with several customers. We anticipate meaningful traction in this product line in 2026, financial year 2026. To support this, we have initiated the necessary capex to commence relay manufacturing, which will happen in the second half of financial year 2026 at a new facility, the equipment orders are already placed.

Relays are a higher value product than what we are doing currently, and it will significantly expand our addressable market size per meter and provide a much needed domestic alternative for metering companies who are seeking to localize their supply chain. We are optimistic that this initiative will act as a key growth driver for our domestic metering business going forward.

Now coming to the alloys business. In our alloys business, the commercial offtake was slower than our anticipation in financial year '25. However, recent order inflows in April and a positive demand outlook for financial year '26 are reinforcing our confidence in this segment. A notable achievement was that we secured AS9100:2016 certification for our alloys facility, and this will open up opportunities in aerospace, aviations and defense sectors.

To prepare for future scale up, we are planning to expand our capacity by adding a new furnace by this December, and this will significantly enhance our ability to serve growing demand.

Now regarding the quantum magnetism subsidiary:

In our subsidiary, quantum magnetism, we were successful in completing a key customer audit in FY '25. However, the scale-up of this commercial business is constrained currently due to global geopolitical issues that have affected the supply of rare earth magnets. The recent export restrictions on rare earth magnet have underscored the critical importance of establishing manufacturing and supply chain capabilities for rare earth magnets in India, especially as these components are crucial for both EVs and renewable energy equipment.

And these sectors are national priorities for Government of India. We are moving forward in this space, and we will share further updates as our plans are finalized. As you know, there are due to geopolitical restrictions, export of magnets and magnetic technologies from China are restricted, and we are also looking for alternatives to derisk our plan.

So in summary, while financial year '25 has been a year of consolidation and transition, we firmly believe that the strategic initiatives undertaken across our business segments, be it in alloys, domestic smart meters for our subsidiary, quantum magnetism will position PML for a strong rebound. Our focus remains on product additions, customer diversification and investing in high potential growth areas. So I would now like to open the floor for questions, if any.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Ankit Gupta with Bamboo Capital. Please go ahead.

Ankit Gupta: So, sir, my first question is on the what kind of market size do we expect from this latching relay. So as you've said that we have entered into licensing agreement with REL. So how do you see the traction in the segment? And what is the opportunity size here for this product?

Sharad Taparia: See, latching relays generally on an average per meter ranges from about INR 225 to may be about INR 300 or maybe INR 325, depending on the customization and depending on the quality of the product. So roughly, that is the value per meter that you can calculate.

Ankit Gupta: Sure. And like who will be your competitors here? And what kind of like have we entered into, let's say, like have you been able to capture customers or enter into agreements with them?

Sharad Taparia: Competitors, I would not like to mention. There are only a few companies in India, but majority product currently is imported. And we have had some initial discussions with some customers. But our production is expected to start by around second half of this year. Then we will ramp up customer-by-customer.

Ankit Gupta: Sure, sure. So let's say, in FY '27, can this product become, let's say, a meaningful contributor to our sales of, let's say, INR 30 crores, INR 40 crores kind of potential is there?

- Sukhmal Jain:** Yes.
- Ankit Gupta:** So in FY '27, '28, what kind of revenues or what kind of ramp-up can we see here?
- Sharad Taparia:** Demand is quite big. So it will depend on how fast we can, first of all, penetrate the customer and secondly, how much market share will they give to us. They all need a domestic supply chain, which we are establishing. So I can't comment on how big it can, but it can be quite large, but it depends on how much and how quickly we are able to execute in this financial year.
- If we are able to establish well in this year, then next year, we'll be just scaling up, let's say, adding to that same capacity. We are quite optimistic about it.
- Ankit Gupta:** Okay. And you say that it's a higher value product. So the margins also are higher than, let's say, 15%, 20%?
- Sharad Taparia:** Margins are depending on the level of customization. So in case where there is more standard relay margins are lower. But in case of more value addition, margins are a little better. But it can be range from, let's say, because the majority cost is driven by metal content, which is silver and copper, for which we can't expect a higher that's a pass-through. So margins can range from, let's say, between 10% to 25%, depending on the level of customization that you do.
- Ankit Gupta:** Sure. Okay. And sir, second question was on the alloy business. FY '25, we haven't been able like the commercial offtake has been slower than expected, but it seems that FY '26, we are bullish on this segment, and we are also adding new furnace by December this year. So if you can talk about this segment a bit, what we were targeting PSUs as well as other customers there.
- We have got aerospace certification also. So if you can talk about how you see the scale up happening here, what kind of customers we have been able to get here? And how do you scale up in this segment for '26 and '27?
- Sharad Taparia:** See, last year, actually, I was very optimistic that last year itself, we would have got more business. However, one of the key customer that you were speaking to took a much longer time to get the approval done. So that business has now started. And now we are almost running at full capacity.
- So we have already ordered new furnace and our capacity will become almost 6-7 times of what we have today. So currently, the inquiries that we have point towards a good demand for this business. And since this business model is quite different from what we have been doing in our existing business. Here, the materials are standard.
- They are all existing alloys mostly. And once you get and once you supply a sample to a customer and they approve, the business can start almost immediately. Whereas in our earlier business model, there was a time period we used to take from a development of a product to a

sale. So this business model is different. And again, the market is quite large in India and internationally. So we are quite optimistic about it.

Ankit Gupta: So sir, with existing capacity, how much revenue can we generate from this segment?

Sharad Taparia: Again, it is divided into two methods by which we produce the alloy. One is by using virgin raw materials where you put in all the metals and you melt and the other is using scraps and reverts, which are sometimes supplied by the customer themselves, in which we are doing mostly conversion, in which the value turnover is less, but however, margins are much better.

So now depending on the mix of both types of business, the total revenue can be estimated. But let's say, if we are to do 100% capacity using 100% virgin materials, we would be able to do approximately INR 30 crores roughly from this capacity, what we have today, and we will multiply this by about 6 -7 times starting from calendar year 2026.

Ankit Gupta: Sure. Can you talk about which kind of customers we have been able to get here and which others are in pipeline for the expansion that we are doing?

Sharad Taparia: There is a mix of customers. Some are very specific to one particular application, which I don't want to name the customers and others are government PSUs, which we are getting from the online portal of government that they have the tenders going on. So some business we are getting from there and some business we are getting from these private companies. So, I would not like to comment too much on the type of customers.

Moderator: Thank you. Next question comes from the line of Madhur Rathi with Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, for FY '26, what should the shareholders expect in terms of top line as well as margins? Any broad guidance you would like to give us?

Sharad Taparia: We are expecting around 20% growth plus/minus something. See, last year also, we were expecting certain businesses to click, but our growth is a lumpy growth. So it can really jump very fast when you click certain businesses and really, a lot of it depends on these new initiatives that we have taken from the alloy and relay business, which are fairly new, but we are optimistic.

Madhur Rathi: Sir, the 20% top line growth and what about margin, sir, can we expect above 20% margins?

Sharad Taparia: Margins depend on the product mix and earlier because our margins, what you experienced too we experienced about 2 years back, mainly were driven by the EV segment. So if EV segment comes back again, then we will expect an increase. But right now, it is looking all at the similar level what we have today. So I think a fair assumption is to at about similar level of margins.

Madhur Rathi: Sir, so I was trying to understand that just like Chinese EVs have flooded the global market, sir, so is it a possibility that Chinese EV component maker can also flood, I mean, the EV component markets, including in India and eat into our share? Is that a possibility?

- Sharad Taparia:** Chinese, yes, they have the component manufacturers are there. However, we are introducing one more product line, which I cannot comment about today to address this issue, which will have multiple pricing range, so that we can compete with the Chinese. The existing product line that we are supplying for the European customer are customized products in which for the Chinese to enter is difficult because already all the approvals and everything have happened.
- So there, I don't see any threat from the Chinese. The only issue is how much demand will come for those products.
- Sukhmal Jain:** And for those customers.
- Sharad Taparia:** Yes.
- Madhur Rathi:** Sir, and also, sir, what percentage of our exports are coming from United States? And sir, what is the impact of 10% import duty? Have we passed it on to the customer or some part of the hit we are absorbing?
- Sharad Taparia:** No, we are not affected by that import duty. Our product is customized product. So it's not a commodity for the customer to switch over to any other company is difficult because all the approvals have to be done again. And even if they do it, they have to go to a country where the import duty will be lesser than India. So our expectation is that there should be no change in this business, which we are supplying to United States.
- Moderator:** Thank you. Next question comes from the line of Rohit with itthought PMS. Please go ahead.
- Rohit:** Yes, sir. Am I audible?
- Sukhmal Jain:** Yes.
- Rohit:** So sir, just a few questions. So on the Quadrant subsidiary, so in your opening remarks, you said the audit has been done, but you are facing some challenges because of the ban on export from China. So where are we right now? And how do you see this?
- Sharad Taparia:** Sorry, I'm not able to hear you. You broke off in between. Can you repeat, please.
- Rohit:** Yes. am I audible now?
- Sukhmal Jain:** Yes.
- Rohit:** Yes. So I was talking about the Quadrant business. You mentioned that the audit has happened, but there are some issues in terms of raw material, export ban that is there from China. So how do you see this business in FY '26? Do you see any contribution? And if yes, what can you, what are you sort of expecting on this business? That is my first question?
- Sharad Taparia:** It is very uncertain at the moment because there is a ban from China. Chinese they are only exporting to against specific licenses. So we have done all that work regarding the licenses, but we don't know how what the decision because that is all controlled by the Chinese government. So whatever decision they take, it will depend on that.

Our plan is a long-term plan to establish full supply chain from India for the rare earth magnets. And this was the first step because we went reverse in terms of setting up the application, the assembly plant first and then backward integration will be the next phase. So, while this is a temporary problem is there, to answer your question, current year, we are still very uncertain. We don't know what will happen. It may or may not contribute to the top line. But our long-term plan is still to establish manufacturing here for rare earth magnets, which will be we have calculated that in, let's say, by 2030, there will be a large demand for the rare earth magnets for application like EV and other applications, which Indian government is encouraging to for Indian companies to set up in India, full supply chain from India. That is where we are heading.

Rohit:

Got it. so sir, 2 questions as a follow-up on this. So one is the longer-term plan that you mentioned. But in the near-term, let's say, this year or in the next 12 to 18 months, in the absence of anything coming from China, so do we have any alternate sources from which where we can get this?

And is Quadrant, the partner that we have is are they helping us to figure out so that we can start this process? That is one. And second, on longer-term, so when you do that backward integration, I remember that there was a bigger capex that is needed. So what are your thoughts on that given that this project is yet to go off ground. So like when do you start to take those steps because I think there will be a lead time to set up the capex and do backward integration, etc.

Sharad Taparia:

Yes. So to answer your first question, we are getting help whatever is needed to continue the supply, what we are doing today. But there are a lot of legal issues in China. So we have to overcome those to see that we are doing everything legally. And regarding the long-term, yes, we have to the capex required is quite large, and we will be we are planning how to fund that capex by way of debt equity, maybe a mix and that we are planning.

We will set up some pilot facilities, test it out and then scale it up. This is the broad plan that we have. Further, due to the restrictions put by China, we are also looking at alternative partners who can help us with the technology because Chinese have banned the technology transfer from there. So we are looking at all possible alternatives.

It is uncertain at the moment and so a little complex. But we are hopeful to find out ways around all that because we have experience in the magnets business. Although this process is new, we will find out some method on how to implement that, the facilities for that.

Rohit:

Got it, sir. And sir, just on the alloys business, you mentioned that the customer has started purchasing and you are working at full capacity. So at the current capacity, I'm not talking about the expansion that you're planning. You mentioned there are 2 ways, but broadly, what is the kind of business that you are expecting in this year?

Sharad Taparia:

This year, we are expecting somewhere between INR 20 crores to INR 30 crores maybe for alloy. Also depends a lot on how much can we productionize and utilize capacity out of our

new furnace, which will get installed in December, January. And whether it can start producing immediately or we have to do some trials.

So based on that, I'm giving a we are having a rough judgment of, let's say, INR 20 crores to INR 30 crores currently. These numbers may change if we are if we can do earlier, let's say, it can increase also.

Moderator: Thank you. Next question comes from the line of Dhwanil Desai with Turtle Capital. Please go ahead.

Dhwanil Desai: Sir, first question is that in the commentary and subsequent answers from whatever you had mentioned, if I look at the bigger picture, we used to do lot of products which were custom designed for our customers on EV side and maybe also on the meter side. And incrementally, if you look at the business that we are targeting, be it on the EV side also, it's going to be more standardized products.

So hence, the entry barrier called the new player is going to be lower. And hence, the margin profile also may be in line with that, maybe slightly lower. So is that a right understanding? And from our side and are we comfortable with that?

Sharad Taparia: So yes, overall, major business direction is towards more standardized products. That is true. In the alloy business, the 2 types of business that we are doing. One is the conversion, which is more complex and that still has a better margin than the standard alloy melting by using virgin raw materials.

So we will eventually move towards the more conversion type of business. That is our plan, which is difficult for people to do. It has some processes which are to be done even before we melt the materials. So the other companies, they don't do it. And it is quite specific to each customer, what process is to be followed. Regarding the relays, it is a standard product.

Yes, margins can again, depend on the level of customization that we do. There are some of the existing product like CT, which we can integrate along with the relay if some customers need like that. So again, a few possibilities are there. But overall, I would say relay margins compared to the overall margins of PML will be lower as compared to the total earlier mix of the business that we had.

Dhwanil Desai: Got it, sir. So essentially, the way to think is that maybe probably going forward, our scale up may be faster, but margin may not be to the earlier levels of 20% or so, maybe more in the range of 14%, 15%, 16%. That's the right way to think, right?

Sharad Taparia: Yes. It is the earlier margin that we saw highly due to the customized products. So as we move towards more and more standardized products, margins will come down. And then we'll have to work on the cost to again increase those. Again, due to geopolitical uncertainties, that is actually helping us because the demand is there and many customers do not mind paying a premium for an Indian supply chain. So that way margins can be better on that account. So it's a mix of many things. But overall, what you say is correct.

Dhwanil Desai: Sir, second question on the EV side, maybe a couple of years back, we had a very strong pipeline with FY '27, '28 programs for various models. So in the changed scenario, what happens to that pipeline? Is it that the customers are kind of going back on those projects or those projects are shelved or the quantities are being scaled down?

How should we think about that entire thing, which was prevalent 2-3 years ago because they all plan very much in advance. So those projects, how should we think about it?

Sharad Taparia: Yes. Some of the projects, they have shelved, they have kept it on hold, they are trying to use the existing platform only to drive sales. I mean, for example, suppose they are developing a new design model. They will try to use the existing same sensor, same design to continue the purchase commitments that they had done with us.

And the overall demand from them has only reduced, particularly I'm talking about American and European EV manufacturers. I mean their demand reduced, so their Tier 1 demand reduced. So therefore, our demand reduced. Overall EV market worldwide is still going up. We are quite bullish about the Indian market. And I feel that Indian EVs have come in a little later, but they are very competitively priced.

So they should do quite well, and we are working with them also. And some of our parts through the Tier 1s are now going for the Indian EV. So Indian EVs are adopting the same platform from Tier 1, what we are already supplying. So that way, some of the sales should actually come back if that goes up significantly. But the quantities of Indian EV is still less, although outlook is quite good.

Dhwanil Desai: Understood. And last question. So sir, if I again look at the smart meter side of it, lot of players who are implementing had a very strong year, while our commentary said that one of our customer had was facing challenges in terms of roll out or was not taking enough quantity. So going forward, how should we think about our customer concentration risk in this segment, especially given that a vast opportunity has opened up and people are scaling up fast. So how do we take advantage of that fast scale up that is happening?

Sharad Taparia: See, today, only about less than 10% of the total program is implemented. So balance, the 90% is yet to be implemented across India. So demand of this related to energy meter is still very large, although our customer our major customer did not have so much demand. They are selective in their booking of orders because lot of many players are booking orders and there are challenges related to implementation and execution.

So as we go forward, we have to see how it plays out. But our strategy by going into relay, we will become a domestic player who will produce relay. And so we are sort of doing an import substitution for many of these customers. So this will result in broadening of our customer base. That is our plan.

Dhwanil Desai: Understood. Thank you and wish you all the best.

Moderator: Thank you. Next question comes from the line of Praneeth, an Individual Investor. Please go ahead.

Praneeth: So as you were talking about EVs in terms of giving magnets to domestic producers, Indian producers, I was wondering, how is the product different from international producers? And how are the pricing and margins like? Are they going to be different from what we are doing from we are providing to the Western economies?

And what in terms of the supply today, who are dominating the supply in terms of who is supplying to the EV manufacturers today? And what did we have any domestic orders that we fulfilled during the year? And how much more do we think are we going to scale up in this particular venture?

Sharad Taparia: See, you're talking about magnets, but magnets, we are today not supplying we are not supplying magnets to the EV manufacturers.

Praneeth: Understood. Like the products we supply to EV.

Sharad Taparia: Yes, product we supply to EV are related to current sensing devices, which we supply to EV manufacturers. These are soft magnetic materials using hall effect technologies. And this, we are supplying to mostly Tier 1 companies who build their platform, their inverters based on this, and they supply to the final EV manufacturers. So our pricing remains the same, whether it is Indian or whether it is foreign for the existing product that we are doing.

The new product launch that we are going to do in this year where we are doing a lot more standardization, where we will introduce product at multiple price points, which should be suitable for a low, let's say, there is a range of market. The market is divided into category where some customers require very high accuracy sensing and some customers are okay with low accuracy, but they are price sensitive.

So we will introduce product which is suitable to all this range. This we are working on right now. And hopefully, in this year, we will introduce that range. So as a future, let's say, de-risking our specific customized product line because as we go ahead, probably this business will also become more and more commoditized. So I hope I've answered your question?

Praneeth: Yes, you answered part of the question. So one more thing I was asking about is the competitive landscape at this point of time. So I understand there's already EVs rolling out today, right? So do we already supply to these current sensing equipment to these OEMs? I mean I understand we go through a different supplier then they supply to the OEMs. But are we do we already fulfil any orders this way?

And who are already supplying to these OEMs today? Because I understand we are still developing the product, right? Who are already supplying to these people? Is it they're importing the product or how is it happening today? And what percentage of the equipment is still imported to the country?

Sharad Taparia: This every Tier 1 company, they have their own design. And some companies use a standard design from international based on international market. Now when they have their customized design, we are producing the part as per their design. So very few players, companies

worldwide do such a business where they customize the part and specifically supply as per that design because it is complex that the raw material supplier is fixed.

And the process is fixed and everybody has to follow the same thing when you supply such a part. When you use a standard design, then the specifications are fixed and you have to follow that specification in the form and fit. So there are a few companies worldwide who do a standard design. And we are also planning to introduce our own standard design. So competitors, I cannot name. But generally, worldwide, there are not too many companies who do this.

Praneeth: So basically, most of the components that we supply are still imported into the country as what you're saying because today, do they use a standard design or they continue to use a customized design? I understand you make customized products which are much more complex. But what is the market demanding in terms of do they want a customized product or do they don't mind the standardized product?

Sharad Taparia: They would like a standardized product, which fits within their cost. So if they find that a standard product is very expensive, then the engineers try to design their customized their own design. And if we are able to provide a standard design, which is good enough cost, then they don't mind adopting that, the performance is same. And our strategy is to provide that kind of product, which offers them a good design with their appropriate cost.

Product for the customized majority product, the sensors are all imported only and the supporting parts related to the sensor, some are imported and some are domestically manufactured.

Praneeth: So what you're saying is then doing looking for customized product is a way of cost cutting because the standardized ones are more expensive. That's why there could be a demand in form of cost efficiencies for the OEMs to come to you and make sure they design the customized product, right?

Sharad Taparia: Yes, or if we offer a standard product within their cost budget, they will adopt it.

Praneeth: So out of the overall consumption in India, how much of it is today, let's say, the current equipment is a standard product and how much of it is customized? And like are there any manufacturers in the country who are doing the standard designs for these OEMs?

Sharad Taparia: That exact mix we do not know, but many of them are buying from Tier 1s, passenger cars, for example, quite a few are buying from Tier 1 companies. So they are mostly customized. But 2-wheeler market, for example, is buying some standard products also. So that mix, we do not know. However, once we have our standard design also, then we will be in both the segments.

Moderator: Thank you. Next question comes from the line of Sanjay Kumar with ithought PMS. Please go ahead.

Sanjay Kumar: So first question on smart meters. What is the capex on the peak revenue potential of the Relays that application that we are planning?

- Sharad Taparia:** We plan to invest about between, let's say, INR 15 crores to INR 20 crores roughly and then scale up as the demand, whatever demand will be, but it is subject to lot of this number that I'm saying will be there will be a lot of changes due to the level of automation that we decide. So this is not a the number is just a rough number that I've given to you, but it will depend a lot on the level of automation, which we are as we go ahead, we will implement.
- Sanjay Kumar:** Got it. So on this INR 15 crores, INR 20 crores, what can be the peak revenue potential or the revenue that you are targeting to achieve?
- Sharad Taparia:** Maybe between INR 70 crores to INR 100 crores maybe roughly.
- Sanjay Kumar:** Okay. And do you think are we late in the smart meter segment, sir or do you think there's still potential left for Relays because every one's order book is huge. Now we'll have to find new customers or these existing guys like HPL, Genus, they can also buy relays from us?
- Sharad Taparia:** They can buy if they want to do an Indian supply chain. Everybody wants Indian supply chain. So they will buy they can buy. We, yes, you can say that we are delayed, we could have set up this much earlier. However, we were looking at the market, what is going on. And when we found the right technology partner, then we have signed an agreement with them. But still, we are looking at the long-term picture.
- We do not want to just say that this is just due to the Indian opportunity today. We are looking at export market. We are looking at markets other than the energy meter also because we will treat this relay manufacturing as a capability and scale it across multiple applications. This is our plan. So we just don't want to say that this is only the Indian opportunity for this 250 million meters. It is, let's say, a worldwide opportunity and multiple application opportunity. This is the way we are thinking.
- Sanjay Kumar:** Can you list the application, sir, that is other than energy meter?
- Sharad Taparia:** Automotive, for example, EV also requires a relay, but different type of relay, which is a high current relay. It's a safety device. So anywhere where you need an automatic switching, switching on and off relay is used, industrial relays. So in industry, there's different types of relay, different capacity relay. These are the multiple applications.
- Sanjay Kumar:** Got it. And second, on alloys business, just to confirm, you said INR 30 crores is the potential for the capacity today, and this will become 6-7 times. So INR 200 crores is the sort of peak revenue that we can do with both the furnaces. By when do you think we can utilize this capacity?
- Sharad Taparia:** Sorry, again?
- Sanjay Kumar:** So the INR 200 crores peak revenue potential from both the furnaces put together, by when do you think we can utilize these capacities? How long will it take?

- Sharad Taparia:** We have to book those we have to click business with our customers. We have to give them samples and click business and fill up that capacity. So our expect I mean, as early as possible when we will be able to do I can't tell you exact time frame, but the opportunity is there.
- Sanjay Kumar:** I'll put it this way. So in FY '25, we supplied to a PSU and now you are saying we are talking to one customer. So how many plans or inquiries do we have in the pipeline? Because without that, you wouldn't have had the confidence to add another furnace?
- Sharad Taparia:** Yes, we have multiple customers, at least, I would say, 10, 15 customers with different, different volumes that they want, but we do not want to, ultimately, we want to be in a space where margins are better. So blindly, just very, very low-margin business, we don't want to do. But this is applicable only after we have filled up our capacity.
- So inquiries are there. And based on that confidence only, you're right, we have ordered the new furnace. Now, it is in the execution stage, and we are working hard towards filling up that capacity.
- Sanjay Kumar:** Sure. And third question on Quantum Magnetics. In the last call, we spoke about specific consumer electronics application. Can we expect commercial orders? Just trying to understand if it is confirmed or like it's just a matter of when or worst case, we might not get this business also. Is that the worst case?
- Sharad Taparia:** No, commercial orders had started and already we supplies had started and then this problem of the export restrictions came. So now they are stopped at the moment. Now depending on the licensing situation, again, it will depend. If that is cleared, then commercial supply will again start.
- Sanjay Kumar:** So it's not an end. It's just a pause?
- Sharad Taparia:** It is a pause, it is a pause till the time this restriction is cleared in some way. We are hoping that this will be cleared. Indian government is also trying because Indian EV industry is also facing the same problem. They are not getting the magnets and mainly the source is China only because 80%, 90% is produced there. Indian EV industry also is suffering because of this.
- So they have approached Indian government. Indian government is talking to Chinese government. All that thing is happening. So hopefully, my expectation is it should get cleared. But currently, our production is stopped.
- Sanjay Kumar:** Okay. And where are we on the JV with the quadrant and this quadrant and still keen on using PML as the partner for India for China plus one, are they still keen?
- Sharad Taparia:** They were keen, but now due to this restriction put in by China, we have to see the legal situation, and we are looking at alternative partners also because there is a restriction from China. So we have to think about all possible outcomes.
- Moderator:** Thank you. Next question comes from the line of Saiganesh with Square 64 Capital Advisors LLP. Please go ahead.

- Saiganesh:** Could you provide a breakdown of the product mix across magnetic assemblies and current sensing solutions?
- Sharad Taparia:** We have now divided because there is a lot of mix. So we are now dividing it based on the application. In terms of applications, about 43%.
- Saiganesh:** Okay. Understood. And what sort of margins are we making currently on alloy business?
- Sharad Taparia:** In alloy business?
- Saiganesh:** Yes, current margins.
- Sharad Taparia:** Current margins are about at about, let's say, between 10% to 15% current margins. But right now, we have done a mix of multiple businesses. So, in really in this year, it will be stabilizing. My expectation is, it should be somewhere between 15% to 20%, somewhere between or maybe you can consider between, let's say, 12% to 20% in between somewhere there, it should be during this year
- Sukhmal Jain:** Depending on supply through netting through virgin material or we are doing job work.
- Sharad Taparia:** Yes, depending on that.
- Sukhmal Jain:** Our margin will be higher in job work.
- Saiganesh:** Okay. And sir, what will be the revenue contribution from the Shunt business in FY '25?
- Sharad Taparia:** Shunt business roughly will be between about INR 60 crores plus/minus something.
- Saiganesh:** INR60 crores plus, minus? And could you provide a update on the forward integration of the shunt business that is we are planning to go into forward integration?
- Sharad Taparia:** Shunt business forward integration is the relay business. Shunt goes in the relay that we are already setting up.
- Saiganesh:** Okay. Thank you, sir.
- Moderator:** Thank you. Next question comes from the line of Ankit Gupta with Bamboo Capital. Please go ahead.
- Ankit Gupta:** Sir, on this our existing export business on the smart meter side, how should we look at the growth in the segment over the next 2 years? So this business, I think, hasn't grown much over the past 2 years. So currently, like are we getting some new projects? And how should we look at this business as a whole?
- Sharad Taparia:** See, last you're talking about export energy meters?
- Ankit Gupta:** Yes, export energy meters?

- Sharad Taparia:** Export energy meters last year grew. It was out of the total energy meter business, after the total, roughly 65% was export only compared to 52% in the last year. So it grew last year in the export in the energy meter business. But again, it is a customized product. And depending on customer demand, depending on their design, this business, we don't know how it will play out in the future.
- Last year, demand was good. Once we start the relay, it will be we are planning to do exports also for energy meters for the relays that we will offer as a product to all our customers.
- Ankit Gupta:** Okay. And given we have a very good and large client base in the energy meter side on the exports, should we expect that relay approval should also happen here, might take some time, but eventually, we should get approval from our export customers also on the relay side? And how do you see this over the next two quarters?
- Sharad Taparia:** For export customers, the approval time is a little longer.
- Sukhmal Jain:** But yes, eventually, it should happen.
- Ankit Gupta:** So, on the basis, should we expect this 5%- 10% growth in this business for the next 2- 3 years or you are expecting more than this?
- Sharad Taparia:** Yes. Today, what we are doing you can expect about 5%, 10% growth is all right.
- Ankit Gupta:** Sure. Okay. Thank you.
- Moderator:** Thank you. Next question comes from the line of Madhur Rathi with Counter Cyclical Investments. Please go ahead.
- Madhur Rathi:** Sir, I wanted to understand our cost of production of these Indian versus the Chinese counterparts. And sir, yes, so on that thing?
- Sharad Taparia:** Cost of production as compared to Chinese for relay?
- Madhur Rathi:** Yes.
- Sharad Taparia:** Regarding the metals, it is almost similar, but major plus the relay metals maybe about 70% plus something like that. Silver, copper are the major cost elements. And regarding conversion cost, Chinese have a lot of automation already in place. So they will be little lower than us when we start. But there is an import duty also. So we get a certain advantage there.
- Madhur Rathi:** Import duty on this product and including import duty will the cost of production, including conversion cost be similar to the Chinese?
- Sharad Taparia:** Yes, similar to Chinese. We have checked the prices and we are at those prices, we are able to supply.
- Madhur Rathi:** And sir, what is the import duty on this product?

- Sharad Taparia:** It is 15%. It was 10%, it has been increased to 15%.
- Madhur Rathi:** Got it. Sir, if I look at our business profile over the last 3, 4, 5 years, we have given that because of EV segment going down, our margins have reduced. But sir, there hasn't been much. So are the electricity meter business that we are gaining, is that a lower margin business or something has changed over this 5 year period because our gross margins have reduced as well. So any specific reason for this margin decline?
- Sharad Taparia:** Yes, the major contributor in margin earlier was the EV business on specific products which were high-margin products. And those were being sold in very high volume at that time. That demand went down. So therefore, our margins are at this level today.
- Madhur Rathi:** Sir, if I understood correctly, we supply very customized products to these Western OEMs. So what would be our volume share or wallet share of these customers? And what would be for the competitors? And can we see a shift from our competitor to us going forward in the EV segment?
- Sharad Taparia:** Mostly when they use only one supplier mostly. So if they approve us in one particular platform, then we supply all the volume for that platform because the product is very sensitive.
- Sukhmal Jain:** And cannot be changed the entire.
- Sharad Taparia:** It cannot be changed from supplier to supplier. So suppose one platform is awarded to our competitor, then they will supply 100%, it is like that.
- Madhur Rathi:** And sir, for the Chinese EV OEM, sir, have we thought of getting into supplying to these Chinese OEMs who are setting up their plants in either EU or Mexico? Is that a possibility for us or the cost won't allow us to do that?
- Sharad Taparia:** You're talking about us setting up plant there?
- Madhur Rathi:** No, us supplying to the Chinese OEMs who are setting up their plants in either Europe or Mexico?
- Sharad Taparia:** That possibility is less because Chinese OEMs prefer Chinese suppliers only. So, this is our experience. So there, I don't think I'm not seeing any opportunity there to penetrate in that market.
- Madhur Rathi:** Got it. That's it from my side. Thank you so much and all the best.
- Moderator:** Thank you. Next question comes from the line of Rohit from ithought PMS. Please go ahead.
- Rohit:** Yes. All my questions have been answered. Sir, just one small question. So till such time your either the Quadrant business scales up or the EV business comes out, your margin profile will be around this 14%-15%. Is that understanding correct?
- Sharad Taparia:** Yes. At the current level, yes.

- Rohit:** Got it, sir.
- Sharad Taparia:** Last year, there were some extra development expenses and one-time charges. To that effect, maybe margins will be slightly better. But overall, what you say is correct.
- Rohit:** Sure, sir. And one more question, sir, in the last 4, 5 years, I mean, from, you've invested in terms of capabilities and you've talked about it in your annual report, in your AGM and all these calls as well. So I mean and now it seems that some of those have hit a speed bump.
- So how do how are you thinking about it from a 2, 3 year perspective because you would have spent a lot of energy, time, resources on developing these capabilities and then going out and forging partnerships or business development opportunities. So like how are you thinking about scaling the business from here on from a profitability point of view?
- And also, I mean, we were hitting a purple patch to couple of years back, but now it seems like it's hit a roadblock. So how are you thinking from that standpoint? A lot of these things, of course, are not in our hands from geopolitical side or the demand side. So just wanted to hear your perspective?
- Sharad Taparia:** Well, our journey, if you see that we were earlier a magnets company. And from magnets, we pivoted to other product like soft magnetic materials. And based on the capabilities, now we are doing so many more things. So roadblocks are a part of the journey, not so much worried about the roadblocks.
- Long-term, overall, we must grow and we must grow fast. So I think our strategy based on the expansion related to capability, pitching our capabilities to the customer. I think, will pay us rewards. And this is a correct method what we have adopted. And it's a lumpy growth. We are still a very small company. So we may experience a sudden jump in any 1 year going forward or there may be further roadblocks.
- So I'm not worried about that. I think our overall we should keep on expanding our capabilities. We should keep on pitching our capabilities to customers, keep on supplying good quality product at the reasonable prices, then we are continuously in business. So I'm not so much worried about the temporary roadblock.
- Rohit:** Right. And sir, there was a plan to consolidate our existing operations and move to a newer plant. So where are we in that journey?
- Sharad Taparia:** We have acquired 8 acres in total, 2 more acres is pending, which we will do in September. And after we do that, we will start developing the land and building. So but until then, we are running our operations in leased premises. And whatever expansion is needed, we are taking additional leased premises.
- Rohit:** And so when do you see moving to the our new premises?

- Sharad Taparia:** It is slightly delayed from our initial plan, but maybe 2 to 3 years from here, let's say. That's my expectation today. Land development, land approvals are complex process. It takes a little longer time.
- Rohit:** And setting up the operation in terms of your plant building, etc that also will take around 12 to 18 months?
- Sharad Taparia:** Yes. In totality, I'm saying about 2 to 3 years, we should start some kind of operations in the new plant. And once the infrastructure and all is ready, we'll move everything.
- Rohit:** Understood. Got it. That is it from my side. Thank you very much and all the very best.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Sharad Taparia for closing comments.
- Sharad Taparia:** Okay. I thank you all for joining the session today. And I hope I have answered all the questions as much as possible to my ability. Thank you very much.
- Moderator:** Thank you. On behalf of Permanent Magnets Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.