Transcript of AGM Dated 09.08.2024

Shri. Sharad Taparia, Managing Director

Dear Shareholders good afternoon to all of you. I am Sharad Taparia joining you from the corporate office in Mumbai. Welcome to the 63rd annual general meeting of the company. I hope this message finds you all in safe and good health. As per the circulars of the Ministry of Corporate Affairs, this meeting is being held via video conference.

Before we begin, I would like to introduce my esteemed colleagues on the board and other senior officials who are joining us virtually.

Shri. Rajeev Mundra, Independent director and Chairman of the audit committee.
Shri. Kamal Binani, Independent Director and Chairman of the nomination and remuneration committee.

Shri. Nirmal Kumar Jain, Independent Director.

Shri. Girish Desai,Non executive director.

Shri. Mukul Taparia, Non executive director.

Shri. Sukhmal Jain, Chief Financial officer.

Shri. Hemant Agrawal, Statutory Auditor And

Shri. Arun Dash, secretarial auditor and scrutinizer.

Our company secretary has verified that we have met the quorum requirements through video conferencing in line with the MCA circulars and section 103 of the company's Act 2013. With the quorum established, I now declared this meeting officially opened. I now invite Rachana, our company secretary to outline the arrangements made for the Members attending the 63rd annual general meeting.

Rachana, please proceed.

Smt. Rachana Sawant, Company Secretary

Thank you sir.

Good afternoon to all board members, auditors and shareholders.

I Rachana Sawant, Company Secretary, joining you from the Corporate Office in Mumbai.

I extend a warm welcome to all of you to the 63rd Annual General Meeting of the Company, being conducted via Video Conference and Other Audio-Visual Means as permitted by the Ministry of Corporate Affairs.

Before we proceed, I would like to inform you that, in compliance with the Companies Act, 2013, the Company has arranged for electronic voting on all resolutions included in the Notice. Members who have not yet cast their votes electronically and are attending this meeting will have the opportunity to do so through the e-voting system provided by CDSL.

Additionally, we have received requests from a few members who register themselves as speakers. The floor will be opened for these members to ask questions or share their views once the Chairman has commenced the Q&A session. The moderator will assist with this process.

Shri. Sharad Taparia has been appointed as the Chairman for this meeting.

I now request our Chairman Sir to take over and proceed with the meeting.

Thank you.

Over to you, Chairman Sir.

Shri. Sharad Taparia, Chairman

Dear Shareholders,

Welcome to the 63rd Annual General Meeting of PML. As we gather virtually to review our progress over the past year, it is a pleasure to host all of you. On behalf of the PML Board of Directors, I extend our gratitude for your time and your ongoing support throughout the years. Thank you for joining us today.

I will now update you on our progress over the last financial year.
You have received the Annual Report, including the Audited (Standalone and Consolidated) Accounts and the Director's Report for the year ending 31st March 2024. With your permission, I will consider them as read. I trust that these documents provide a clear understanding of our Company's operations during the past year.
Before we address the items on the agenda, I would like to share with our shareholders the Company's performance during the financial year 2023-2024, as well as the general outlook for the future.

Performance Highlights

FY24 has been a dynamic year, marked by both successes and challenges that have shaped our performance. We are pleased to report growth in terms of revenue. While our profits didn't fully meet our expectations, this was mainly due to unexpected changes in our product mix. Nonetheless, we remain optimistic and focused on leveraging these experiences to drive future profitability.

Our electricity meters verticals has been performing well, particularly the domestic smart meters market. We are witnessing growth in driven by the tailwinds from Government of India's policy initiatives in this domain. To leverage this opportunity to a greater extent, we are not only banking on our existing products, such as CT, Shunts and Assemblies but are also working on adding more products to our portfolio to serve a larger portion of the domestic smart meters' opportunity.
In addition to above a significant milestone in FY24 has been the commissioning of our alloys facility in Q4. This project, which we have been developing since last year, marks an important expansion of our capabilities. This project was born out of our casting capabilities. While our presence and expertise in the casting domain are well established, this new facility enhances our operational strengths and positions us for further growth. This business also has certain structural advantages such as ease of scaling up to commercial orders, higher longevity of business, and limited lifecycle risk.

Dividend

I am pleased to announce that the Board of Directors has recommended a final dividend of 18%, i.e Rs.1.80 per equity share, for the year ending March 2024. This recommendation is subject to approval by the shareholders at this Annual General Meeting.

For a detailed overview of our business performance, please refer to the Management Discussion and Analysis section of the Annual Report.

Business Outlook

Looking ahead, we believe that PML has strengthened its platform for growth. Although the EV business has not yet gained full momentum, we anticipate bridging any gaps through the expansion of our Domestic Smart Meters and Alloys business. Additionally, we have promising long-term opportunities on the horizon, such as potential ventures in Neodymium & Rare-Earth Magnets through our work in Quantum Magnetics.

We are also focused on several medium-to-long-term goals, including consolidating all our manufacturing facilities under one roof, scaling our modules business, and advancing our transition from components to modules in various product categories. Throughout these efforts, we remain committed to driving business growth through enhanced capabilities and new growth drivers.

Acknowledgement

In closing, I would like to express my gratitude to all the shareholders, team members, and stakeholders of PML. Your faith and trust have brought us this far, and I am confident they will propel us to even greater heights in the years ahead. Thank you for your unwavering support.

I now hand over the proceedings to our company secretary, Rachana, for the next agenda item.

Smt. Rachana Sawant, Company Secretary

In line with the Companies Act, 2013, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, shareholders were given the opportunity to cast their votes electronically on the resolutions outlined in the Notice dated 16th May, 2024.

Please be informed that there are five Agenda Items requiring your approval.

For shareholders who have joined this AGM and have not yet cast their votes, you will have the opportunity to do so during this meeting. Before we proceed to the voting on the resolutions, I will provide a brief overview of each resolution.

Three items of Ordinary Business to be passed as ORDINARY RESOLUTIONS which are:

1. To receive, consider and adopt the Audited (Standalone & Consolidated) financial statements for the Financial Year ended March 31, 2024 and the Reports of the Board of Directors and Auditors thereon.

2. To declare a final dividend of Rs.1.80/- per equity shares, for the financial year ended March 31, 2024.

3. To appoint a director in place of Mukul Taparia (DIN: 00318434), who retires by rotation and being eligible, offers his candidature for re-appointment.

Two items of SPECIAL BUSINESS to be passed as SPECIAL RESOLUTION which are:

1.To approve the continuation of the Directorship of Shri Girish Desai (DIN: 01056763) who will attain the age of Seventy Five (75) years on January 21, 2025.

2.Appointment of Shri. Nirmal Kumar Jain (DIN: 00019442) as an Independent Director of the Company

The text of the resolutions, along with the explanatory statement, was included in the Notice circulated to all members. With this, we have covered all the Agenda Items.

M/s. Arun Dash & Associates, Practicing Company Secretaries, has been appointed as the Scrutinizer to oversee the e-voting process with fairness and transparency.

The results of the voting will be declared within two working days from the conclusion of this meeting. The Scrutinizer's report, will be available on the Company's website, as well as on the websites of CDSL and the stock exchanges where the Company's shares are listed.

We will now proceed with the Registered Speakers. I kindly request that members keep their questions brief and specific. Responses to all questions will be provided after the speakers have finished their remarks.

I now invite Shri. Sanjay Kumar to share his views.

Shri. Sanjay Kumar Elangovan, Shareholder

Hi sir, thanks for the opportunity. I had already sent my list of questions. If you want I can repeat them now or you can answer them if you already have.

Shri. Sharad Taparia, Chairman

Can ask the question briefly and you can ask them one by one.

Shri. Sanjay Kumar Elangovan, Shareholder

Perfect sir. Roughly 1 Cr meters have been installed so far. What is our market share in this? As in, how many smart meters have our components in them?

Shri. Sharad Taparia, Chairman

We have approximately you can say that we have we have supplied parts towards let's say, 1000000 mtr roughly, approximately.

Sanjay Kumar Elangovan, Shareholder

It gives a 10 % kind of.

10 Cr meters are already awarded and pending to be installed. What has been the market share of your clients within this 10 Cr order?

Shri. Sharad Taparia, Chairman

But I may not be able to comment right now on what is their share. But multiple customers we are working with different products, so I can't say, about their share.

Shri. Sanjay Kumar Elangovan, Shareholder

Sure, But can this 10 % continue going forward also or even increase?

Shri. Sharad Taparia, Chairman

Depends on how many orders are getting awarded to our customers. It depends on that only and how well they are able to install the meters. So a lot of factors are dependent on that. Got it.

Shri. Sanjay Kumar Elangovan, Shareholder

HPL Electric has signed an MoU with a Chinese company for assembly of relay/latching relays in India. This looks like a critical element for Smart Meter implementation to accelerate. Our Annual Report also talks about us working on relay assemblies. When can we launch this product?

Shri. Sharad Taparia, Chairman

Yes sir, we are working towards it, but we will announce when the project and our product is ready.

Shri. Sanjay Kumar Elangovan, Shareholder

Any timelines, sir.

Shri. Sharad Taparia, Chairman

My Expectation is within this year sometime.

Shri. Sanjay Kumar Elangovan, Shareholder

You said capacity in alloys can be 150-200 tons in next year. What was the capex invested for this capacity?

Shri. Sharad Taparia, Chairman

approximately Rupees Eight Crore was invested into the facility related infrastructure related.

Shri. Sanjay Kumar Elangovan, Shareholder

Okay, got it.To go from 200 tons to say let's say a thousand tons, how much Capex will be needed and are we targeting such capacity in say three to five years? Not immediate but medium term? Do we have that kind of visibility?

Shri. Sharad Taparia, Chairman

Yeah, there is a good opportunity in the market. We are targeting to expand as fast as possible. Okay. However, it depends on what type of, what product. Whether there is any finishing requirements or many factors are there and 1st we want to fill up this capacity and then we will decide the next steps on how inquiries, what type of inquiries are we getting? Which markets? So all that factors will determine our next, investments into this area.

Shri. Sanjay Kumar Elangovan, Shareholder

Got it.It will be similar, let's say every 200 tons will need Rs. 8 Cr of.

Shri. Sharad Taparia, Chairman

Not Might be because there maybe some finishing equipment that we may need to put in, which maybe different also but we may pivot, where we have right now it's a small business as we go along it grows, we may pivot and favor certain directions. So right now we cannot put this as a baseline. Going forward we will know more.

Shri. Sanjay Kumar Elangovan, Shareholder

We might add machining or forging.

Shri. Sharad Taparia, Chairman

It depends on what kind of, how we are successful with which customers, what alloys, it depends on that.

Shri. Sanjay Kumar Elangovan, Shareholder

The 3rd on the Neodymium business. I'm seeing global companies with say 500 tons, thousand tons kind of Neodymium capacity. What capacity are we planning post the phase three, not immediately, and when can it come online?

Shri. Sharad Taparia, Chairman

Our project was divided into three phases to produce approximately 2000 tons per year. That was the plan and we are still evolving on that plan. 1st phase is already implemented.

And now after 1st phase, now we are working on phase two and after that is done, then we will decide on the implementation of phase three. So phase two, the time period expected is about maybe one to two years, starting from now is we will start implementing.

Shri. Sanjay Kumar Elangovan, Shareholder

By phase two, do you mean we'll start with the magnet block and then do the machining and process.

Shri. Sharad Taparia, Chairman

Yes, similar level, but we are yet to finalize where that point is.

Shri. Sanjay Kumar Elangovan, Shareholder

And the phase three will be ISO static pressing, 1st you'll cast it and then as static pre machining basically that is phase three, correct?

Shri. Sharad Taparia, Chairman

This Phase three plan is right from the metal manufacturing.

Shri. Sanjay Kumar Elangovan, Shareholder

The phase two also will be 2000 tons or it will be post phase three.

Shri. Sharad Taparia, Chairman

It will be lesser not decided right now but depending on what the market demands.

Shri. Sanjay Kumar Elangovan, Shareholder

What kind of EBITDA margins can we do when Quantum Magnetics does 200-250 Cr Sales in say 3-5 years?

Shri. Sharad Taparia, Chairman

That is very subjective demanding the magnet application can be electronics, automotive, wind power, different products have different margins. So I cannot comment on the EBIDA margins exactly right now.

Shri. Sanjay Kumar Elangovan, Shareholder

Any Margin range Sir?

Shri. Sharad Taparia, Chairman

Margin range you may take it as 10 % to 15 % and maybe in some products, maybe 20 %, but it really is subjective, should not be taken as a general comment.

Shri. Sukhmal Jain, CFO

because it has high Material cost.

Shri. Sanjay Kumar Elangovan, Shareholder

In EV, we seem to have many small orders with a lot of reputed global Tier-1s and Tier-2s. Why are we not able to scale up with each of these customers? What do we have to do? I think each client can be 10-20 Crs per annum and 20 such clients can take us to 200 Crs from EV alone?

Shri. Sharad Taparia, Chairman

Yeah, these are all of these are large customers with a large potential and we are into product development multiple product development with many of them. So they have a potential to scale, but each project in automotive takes a longer time. The planning startup project is typically two years, three years, four years automotive companies plan well in advance. So we are in that process towards that direction only.

Shri. Sanjay Kumar Elangovan, Shareholder

Next two, three years we might see a ramp up with each of these. We'll see some.

Shri. Sharad Taparia, Chairman

They are successful but they all define startup projects for each project. They define that this is going to start, let's say in 27 28 29 and 26. Each project has a different starting point. Before that iterations are done, approvals are done, quality levels are checked. All that is done, so all that takes time. It's all a part of the pipeline.

Shri. Sanjay Kumar Elangovan, Shareholder

And in annual report, we had mentioned that we have carried out R and D for current sensing and shielding designs. Does it mean we can design our own current sensors so we don't have to rely on players like maglab? What is the significance of this R and D?

Shri. Sharad Taparia, Chairman

NO, the current sensor design, we do not have the capability. We are producing shields and we are doing R and D there. Maglab helps us to understand customer requirements also designing and testing. So, their input is valuable and, it's a joined together we are able to develop products and commercially sale, so we do not have capability to produce our own sensors, we are not in that direction.

Shri. Sanjay Kumar Elangovan, Shareholder

So either the customer has to give or someone like maglab will help us with that.

Shri. Sharad Taparia, Chairman

Yeah, we also do iteration, we also do our design but some generally a joint effort. Got it.

Shri. Sanjay Kumar Elangovan, Shareholder

Final question, We have also mentioned development of 'motors/generators'. Where are we on this journey? Which segment motors are we targeting? EV-2W is already crowded.

Shri. Sharad Taparia, Chairman

See this we have capability of producing parts of motor already, like stepping, heat treatment, winding, magnets, molding. These are all processes required to produce parts of a motor. So therefore, when we assemble a motor.

Assembly of motor and testing of motor is an additional forward integration to this capability. So we are working on this and right now we have not decided, but preferably smaller motors is our 1st target.

Is the is the direction we are leaning on, but still the direction has not been decided to set up a particular capacity for a particular motor type. Right now we are evaluating this project. Some one particular project of stator rotor we already started for one inquiry that our existing customer had, that is already commercially started this year.

Shri. Sanjay Kumar Elangovan, Shareholder

For what application sir, if I may ask?

Shri. Sharad Taparia, Chairman

Automotive application only.

Shri. Sanjay Kumar Elangovan, Shareholder

within that is it two Wheeler or PB?

Shri. Sharad Taparia, Chairman

I think I will not tell right now.

Shri. Sanjay Kumar Elangovan, Shareholder

Thank you so that's from my side and all the very best for FY 25.

Shri. Sharad Taparia, Chairman

Thank you.

Smt. Rachana Sawant, Company Secretary

Thank you Sanjay sir. Our next speaker will be Shri. Raghavendra Singh.

Shri. Raghavendra Singh, Shareholder

Hello am I audible? Yes sir.

I'll I'd like to comment the CFO for an external job with the financial return metrics and the clarity of the annual reports and the accounts and then balance sheet. My 1st question is as this goes to the last con call, the three phases may require a gross block jump of ten X from 26th to 260 Crores. How do we plan to finance this and whether do we go from GYP or additional dilution of our shares? And are we also planning to raise funds from the existing bank Capex or from the other funding?

Shri. Sharad Taparia, Chairman

The bulk of the investment of the 260 Crores is going to be in phase three, which will be after phase two is done. So we have not yet decided on the exact financing method, we are still open on either equity or debt. We are still open on that and that call we will take at that time. So right now we have not decided the financing method.

After Phase two we will get more clarity on the investment total we will do in the phase three. So right now, that question we are holding on to that.

Shri. Raghavendra Singh, Shareholder

Okay, you had given a preference perhaps leaning to smaller motors and this comes related to my question. Can you look at servicing the large developing drone market in the form of BLDC motors required for propellers Essentially the initial part is the new neodymium magnet and can financially feasibility of this be looked at and our core intellectual ability seems to be the metallurgical engineering and electrical engineering.

So we are having a there's been a large demand since post Ukraine war of drone in that combat zone and other places also and even in the India market we are having about since we are not allowing imports, are we trying to develop, for this BLDC motor in the drone of segment?

Shri. Sharad Taparia, Chairman

Yes, we are already evaluating this business and we are in touch with some prospective buyers also for this. So we are evaluating that.

Shri. Raghavendra Singh, Shareholder

Can we like target this aggressively and is it possible like in a moment like geopolitically that we might be able to raise this to 20 -20 % of our business and we might even be a defense ancillary.

Shri. Sharad Taparia, Chairman

Yeah, it's we are going aggressively in this and we are looking at all opportunities. It's a big opportunity not only for defense, agriculture sector and drone application will explore in future. So we are already working on this.

Shri. Raghavendra Singh, Shareholder

And as you must be aware that 25 % margin, 25 % duty will be put on new diamond magnets from the American side on the Chinese magnets. So will this be applicable on the BLDC motors also and will have margin if you're disclosing.

Might be 10 % 12 % might it go to 20 % then with this being implemented in 26?

Shri. Sharad Taparia, Chairman

It maybe possible but it is all dependent on the pricing of the raw materials for the rare earths. Many factors are there. The major cost is the raw material, the rare earth raw material. So it depends on that, but the mainly the margin will depend on the price. And currently the prices are dominated.

By the Chinese companies. So how much protection do we get due by way of duty? All these factors put together may decide the margins.

Shri. Raghavendra Singh, Shareholder

So if there's a 25 % duty on the Chinese manufacturers, how much of this is it possible for us to capture.

Shri. Sharad Taparia, Chairman

For duty put on the Chinese magnets and the raw material prices in India remain the same as the international prices, then probably margins may increase, but we as a company do not want to depend on government incentives or let's say a business model should not be based on government incentives which are temporary. So a long term business model should be put in place. So yes, I hope that answers your question.

Shri. Raghavendra Singh, Shareholder

Yeah, last query also, what are the timelines for the phase three and is it possible to increase the velocity of it like within a year or within one and a half breakthroughs in some products and some large customers.

Shri. Sharad Taparia, Chairman

We are going step by step, so we do not want to accelerate the phase three right now till we get a feel of the market in phase one and phase two. Historically, this has been dominated by the Chinese and it is there has been a high volatility in the pricing of magnets of rare earth. So we have to be carefully looking at this and going step by step only. So after the phase two is done, then we look at, then we look at phase three.

Shri. Raghavendra Singh, Shareholder

Is it possible we can have a strategic stockpile of this magnet and inventory in this book so we are not subject to this volatility because many other related businesses have disclosed this kind of.

Shri. Sharad Taparia, Chairman

The government, government of India will look at that about stockpiling of reserves that they will look at that. So we will not do any stockpiling. Our product will be based on, input material based on that we will have a price formula with our customer so that our exposure is not there towards any kind of speculation on the raw material prices. We will base our margins only on the value addition that we do.

Shri. Raghavendra Singh, Shareholder

Is it possible to enter into long term forwarding agreements with raw material prices so that we are not subject to volatility margin.

Shri. Sharad Taparia, Chairman

That depends on government of India policy on the, the, the PSU that will supply the materials. It depends on their Chinese suppliers won't be entering into long term contracts. We are planning to buy from the Indian sources.

Shri. Raghavendra Singh, Shareholder

Thank you. No more questions.

Smt. Rachana Sawant, Company Secretary

Thank you sir. Our next speaker is Mr. Manjit Singh.

No response received from Mr. Manjit Singh, so we proceed further. Our next speaker is Shri. Anil Mehta.

Shri. Anil Mehta, Shareholder

Hello? Yes sir. Am I audible, Good afternoon, this is Anil Mehta attending this meeting from Mumbai. We have already sent the questions so there is no more question from our side. Just we are supporting all the resolution and thanks to the secretary department lead by Ms. Rachana for the co-operation. Thank you very much.

Smt. Rachana Sawant, Company Secretary

Thank you. our next speaker will be Ms. Yashvee Kothari.

No response received from Ms. Yashvee Kothari with this we complete our register speaker list.

So members please note that the voting on the CDSL platform will remain open for an additional 15 minutes after the conclusion of this meeting. Members who have not yet cast their votes are encouraged to do so. Resolutions, as outlined in the Notice, will be deemed passed today, subject to receiving the requisite number of votes.

We appreciate the participation of all our shareholders who joined us via video conference. With this, we declare the proceedings of the meeting closed.

Thank you to all Board Members, Auditors, and Shareholders for your presence and contribution. We look forward to seeing you next year.

Thank you and have a great day.