



Permanent Magnets Limited

**“Permanent Magnets Limited
Q2 & H1 FY25 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to the Permanent Magnets Limited's Q2 & H1 FY '25 Earnings Conference Call.

As a reminder, all participant lines will be in 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, sir.

Sayam Pokharna: Thank you, Sejal. Good afternoon, everyone. We appreciate you taking the time out to join us today on this call.

As a reminder, our Q2 and H1 FY '25 Results along with the Press Release have been intimated to the Stock Exchange and are available on the Company Website.

To take us through today's results, we have with us from the Management Team, Mr. Sharad Taparia, Managing Director, Mr. Sukhmal Jain, Senior Vice President and Chief Financial Officer.

We will begin with a brief "Overview" of the Quarter and the half-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 risks and uncertainties have been outlined in our annual report.

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

Sharad Taparia: Thank you, Sayam. Good afternoon, ladies and gentlemen. Thank you for joining us today for our Q2 Financial Year '24-'25 earnings call.

I would like to begin by providing an Overview of our "Performance" and "Key Developments" during this quarter. We have reported a marginal growth of 4% year-on-year in Q2 of Financial Year '25 and a 13% growth for the first half of Financial Year '25 on a year-on-year basis.

Our consolidated EBITDA margins for Q2 Financial Year '25 stood at 19% compared to 21% in the corresponding last quarter.

On a standalone basis, we have witnessed a reduction in our EBITDA margins both year-on-year and quarter-on-quarter.

The primary factor which has influenced our performance this quarter and the margin reduction in the recent quarters is mainly the change in the product mix coupled with some higher operating expenses related to our ongoing business expansion. Within product mix change, the softer performance has been on our EV business segment and overall exports, which continue to experience subdued demand. This situation remains largely unchanged from our previous communications.

On the contrary, our consolidated EBITDA margin was higher, and this was largely due to execution of a purchase order in our subsidiary Quantum Magnetics. It is however important to note that while Q2 profitability in this subsidiary was high, it should not be considered as indicative of the future profitability in this business segment. It would be a bit premature to comment on the steady-state margins of the subsidiary level in this moment given the nascent stage it is in currently.

Additionally, Q2 also proved to be sluggish for our domestic smart metering business. It is mainly due to lesser demand from our customers in the first half of 2024. Despite these challenges, we are actively pursuing several strategic initiatives, and these include product development. We are actively developing additional products and cultivating new customer relationships within our domestic smart meters and alloy business verticals, and we are expecting that efforts made in these areas to yield some breakthroughs in the coming financial year.

Second strategic initiative is subsidiary progress. We are currently undergoing customer audit and we are anticipating that this will be over soon and we will secure additional orders in this area towards the end of this fiscal year.

While we acknowledge the short-term challenges, we remain committed to our growth strategy, and we are confident in our ability to navigate the current market conditions. We believe that our ongoing efforts in product development and customer relationship building, and the strategic expansion will position us well for future growth.

Thank you for your attention. We will now open the floor for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Keshav Garg from Counter Cyclic Investments. Please go ahead.

Keshav Garg:

Sir, very good afternoon, I am your very old shareholder. So, we appreciate that you have always given genuine guidance and we understand the ups and downs in business. But if we see, then our standalone revenues are flat at around 50 crores since December of '22. So, basically, nine quarters have passed by and, like, over two years have passed by and our margins have basically shrunk. EBITDA has halved from around 12.5 or thereabouts to 6.5 crores. So, this I am talking about on a standalone basis.

So, in your best judgment, sir, how long will it take for whatever new projects you are working on for them to translate into revenues and when can we expect a breakout from this 50 crore range that we have been stuck and the margins also which have been coming down, when do we expect margins to again go back to over 20% level?

Sharad Taparia:

See, initially, when the EV business was going very strong worldwide, we were growing along with that. We had demand from our customers and that is how the growth was coming very fast. Later on, EV business has become slow and demand from our customers has also correspondingly become slow while at that time the domestic smart metering business increased. So, we remained flat. That same trend is today continuing and whatever new projects that we are looking at, of course, our inception to actual commercial sales, as you know, takes a little bit of time.

So, now to answer your question, when will it break out? My expectation is in terms of growth on the top line, we should expect next year some better growth as compared to this financial year. There are some new projects, which should also have commercial sales in the next year with a little improved margin. May not be the same as the EV related export margins but may be better than what our domestic sales is giving us at the moment. This is a rough idea that I can give to you.

Keshav Garg:

And sir, also on the domestic side, if we look at the smart metering players like Genus Power, sir, during the same period if we see from December '22 to September '24 quarter, their revenue has increased from 200 crore to almost 500 crore. So, how is it that we are not seeing any tailwind from the domestic smart metering and this Genus Power that I am talking about, their order book has increased from, let's say, 2-3 years back from 1,000-1,500 crores to 30,000 crores. So, I mean, why aren't we seeing scale-up happening whereas other players are, it seems that in domestic smart metering, they are booking orders and revenues also?

Sharad Taparia:

We are producing parts specific to customer design. All these meter manufacturers are not, we are not supplying to all of them. We are supplying to a few. And so, we are dependent on their installations and whatever they are doing in their particular area. So, of course, we are now developing some products which could be generally used by multiple companies. And that will happen starting from now and will really come into play next year sometime. So, that is the reason you don't see a straight increase in our demand also, because these are specific products built for specific companies.

Keshav Garg:

Sir, are we single-source suppliers or are there multiple suppliers? Sir, if you could name a few other peers in India that are also making the same components as you are, so that will help us increase our understanding about the business.

Sharad Taparia:

I cannot name any companies, but what we are building is customized products. So, the customer will give us their design, and we build as per their design. And these same products cannot be supplied to any other customer. Every meter company has their own design, and they ask their suppliers to build as per their design. So, I cannot name any competitors at this

moment. And many of these companies, they also do imports directly from outside, some Chinese suppliers or some other suppliers. That is also, some people are using those sources also.

Keshav Garg: And lastly sir, are we supplying to Chinese EV manufacturers or they are totally, they have a domestic supply chain?

Sharad Taparia: No, they have a domestic supply chain. We supply to Chinese companies who in turn supply to European and American companies. But we have not got a breakthrough as of now supplying to Chinese EV manufacturers. We have a direction that we are working on for future to build very low cost solutions, which could be applicable there, but it is too early to say that. Chinese market is very protected.

Moderator: Thank you. The next question is from the line of Sanjay Kumar from iThoughtPMS. Please go ahead.

Sanjay Kumar: In Quantum Magnetics, the purchase order that we had in Q2, what was the application or the sector, if you could explain?

Sharad Taparia: It is consumer electronics which we have produced for and same application we will be supplying to in near future once we have all our audits cleared, then it will pick up.

Sanjay Kumar: Oh, so the customer audit that is happening is from the same client, is it?

Sharad Taparia: Yeah, same client.

Sanjay Kumar: And any revenue guidance for Quantum Magnetics for FY '25 and say the next 2-3 years, this is without the Phase-2, Phase-3, just this base business that we have, how much can it ramp up to and what will be the sustainable margins? You said Q2 is an aberration.

Sharad Taparia: FY '25, we will not see much more revenues. We will close the audit and then business will start. So, it will be very marginally small business. In FY '26, we can expect, it is still a judgment. It could be one product we may be able to do, maybe 10 crores to 15-20 crores, something like that. But it really depends on how fast the customer moves along with us. Customer is growing very fast. So, how fast? Because this audit takes a very long time. So, any other company to clear this audit, we have a natural barrier to entry in this business. Once we are approved, I think customer will remain with us, and they should give us a lot more business. This is my judgment. I can't comment on the exact numbers at the moment.

Sanjay Kumar: Fair enough, but sustainable margins, sir, once we do this 10-20 crores.

Sharad Taparia: Judgment is about 15% to 20%. But right now, we are having much more fixed costs. Until we reach a breakeven point, we don't make money in this business. We have made the plant in much more surplus capacity in anticipation of business from the customer.

- Sanjay Kumar:** And second on alloys business, have we signed any contracts? Are we on track for, I think, we are guided for 25-30 crores in FY '25. So, given the low, yes, sir.
- Sharad Taparia:** We are running slow there. For this financial year, I was expecting much more business, but customer took longer time. Meanwhile, we have got some tender business we have won from PSU companies that we are executing. That is also giving us some market feel about government tenders. We are doing that, and it will continue in the next year. Also, it is a different area. So, it is a very wide spread business. My expectation is that it should do much better quite well in the next coming financial year.
- Sanjay Kumar:** And given the low base, both alloys business and the base business of Quantum Magnetics, can they each do like 100 crores kind of top line in 3-4 years from now?
- Sukhmal Jain:** Yeah, it is possible.
- Sharad Taparia:** More visibility I see for alloys. Regarding the subsidiary, it could be anything. It could increase very sharply, but it really depends. Right now we are working with only one customer. So, once that is going on well, then we can expect multi-fold growth there. But yeah, potential exists for both of them to cross 100 crores.
- Sanjay Kumar:** Final question on smart meters. We are seeing new players enter be it Salzer and Kaynes has bought a company. So, how many clients do we work just in the smart meters business? Total number of clients that we work with?
- Sharad Taparia:** We have multiple clients, but mainly the sale goes for two or three different clients. Mainly that is what we are doing. We are building a product category which will cater to multiple more clients and that we will announce when it is done, we will announce it shortly.
- Sukhmal Jain:** And that will be our design.
- Sharad Taparia:** Yeah, that will be our own design, and it will be applicable to, let's say, multiple clients.
- Sukhmal Jain:** More value added product.
- Sanjay Kumar:** And those two, three clients that we have today, will our wallet share be like Rs. 100, Rs. 200 per smart meter?
- Sukhmal Jain:** Yeah, some of them are much more and more also about more than that also.
- Sharad Taparia:** Rs. 400.
- Sanjay Kumar:** And the new product that we are working on, what will be the rough cost of it per smart meter?
- Sukhmal Jain:** It could be about maybe somewhere between Rs. 270, Rs. 300, roughly like that, could be.

- Sanjay Kumar:** But this will apply for many more clients because it's modular.
- Sukhmal Jain:** Yeah, many more clients.
- Sharad Taparia:** But all that once it is established, at the right point, we will do the required disclosures.
- Sanjay Kumar:** If I could squeeze in one more, any timelines for Phase-2 and Phase-3 in Quantum Magnetics?
- Sharad Taparia:** Phase-2 we are making progress. So, it should happen within next, I would say, six months to one year we should implement. This is my judgment today. Phase-3 we are not commenting at the moment. Once we have done Phase-2, then we decide on Phase-3.
- Sanjay Kumar:** So, in Quantum Magnetics you had said 100 crores. So, without Phase-2 itself, can we do the 100 crores? And how much will Phase-2 sort of add to the revenue potential?
- Sharad Taparia:** Yeah, without that also, Phase-2 is a backward integration of Phase-1. Phase-1 is the final product that we make and sell to customers. So, once we have demand, Phase-2 will improve the margins, let's say.
- Sanjay Kumar:** So, from 15%-20% it can move higher once we are done with Phase-2.
- Sharad Taparia:** Yeah, that sort of thing, it should improve.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Sir, like this is a longer-term question. I have been following this company for the past six, seven years, and we have built significant capabilities over the years, but if we look at our performance on the revenue and the bottom line front, FY '19, we had, there is almost 120 crores and FY '25, given how the commentary is, we will end up with 210 to 220 crore kind of revenue on the higher side.
- Last six, seven years, given the size of our company, the revenue growth hasn't kept pace with the kind of capabilities we have, with the kind of capabilities plus the kind of clients we have. And although I do understand that EV was a major growth factor for us over the past two, three years, which has slowed down, but some of the other old AVRs as well as new initiatives like alloys and even Quantum haven't picked up the way that we were expecting.
- So, would you like to give some thoughts on how despite like how as a company we being at around 200-220 crore kind of revenue can grow at higher pace of growth given the capabilities we have developed?
- Sharad Taparia:** We see most in the earlier years, most of our business is supplying parts as per customer design. And while originally the company was in the magnets business, we transitioned from there based on the capabilities to these newer products. Then we got a good growth due to EV

business, which slowed down and parallely metering business went up. Now we have sluggish in both the situations. Ultimately, our position has to be that we are not dependent on any one particular segment. That is the way we have to position this company, and that is the direction we are moving in.

Alloys is one such direction. Alloys, this is the first year we have done commercial sales because we have, the installation has happened recently. So, alloys is not a story of the last four, five years. It is a very recent story, and my expectation is that it should pick up quite fast because that business is not the same as what we are doing today. Today, we produce as per customer design, which takes six months to maybe one year to sometimes even two years from inception to commercial sales.

Alloys is not like that. Alloys is already being used by the customers. When we come in, we come in as a second supplier, and we give a price advantage to the customer. So, it can pick up much more faster as compared to the existing business that we are doing.

So, in conclusion, we, going forward, our direction is not to be dependent on any one particular segment. We will move towards more and more generic products so that less demand from one particular customer does not affect us. That is the direction, and that should make our growth much more faster.

- Ankit Gupta:** The metering growth slowdown that you are talking about, it is for our export customers or you are talking about domestic customers?
- Sharad Taparia:** Our domestic customers.
- Ankit Gupta:** Because our major sales on the smart meter or metering side was largely to exports, right? And the domestic has picked up just over the past year or so.
- Sukhmal Jain:** Yes.
- Ankit Gupta:** But in exports also we are seeing some challenges on the smart meter side?
- Sharad Taparia:** No, exports, our growth was better. The energy meter sales was better export.
- Ankit Gupta:** And are we growing there on Y-o-Y basis?
- Sharad Taparia:** We are growing there on Y-o-Y basis. There also we are trying to get more products approved. But again, it is specific customer to customer. It takes time from design stage to, let's say, commercial sales.
- Ankit Gupta:** On the EV front, we have seen Tesla improving its guidance recently. So, how are we looking at this segment? How are we looking at revival in this segment or in the near-to-medium-term?

- Sharad Taparia:** It is the same as the other EV segment. So, Tesla is one of the companies who is growing. Every company has their own, they are going into the EV segment. They are launching their cars, two-wheelers. And so we are trying to meet these customers, understand their needs and build products accordingly. That is what we are doing.
- Ankit Gupta:** But how is the demand revival expected in some of the programs we were part of on the EV side?
- Sharad Taparia:** Whatever products we had built, the forecast that they had given us initially got reduced much more. So, what they are doing is that same platform, whatever products we developed, they are trying to use for their other cars, whatever they are developing. So, to fulfill whatever customer had promised us, they had fixed up prices with us based on a certain forecast, which was not fulfilled. That was a much more increasing forecast. So, they are telling us that they will consume the parts by using into other platforms. But they are also facing slowdowns in their end, in particular I am talking about European-American companies. Chinese companies are doing well in EVs.
- Ankit Gupta:** But we don't have presence there.
- Sharad Taparia:** We don't have presence in China at the moment.
- Ankit Gupta:** And sir, we have seen a lot of automotive companies slashing their expectations on the EV front as well as in a launch that they are delaying or even cancelling their launches for new products on the EV side. So, is that happening with some of our products as well?
- Sharad Taparia:** Yeah, our product, the demand has reduced. So, what they do, they give us a forecast for the full year, month wise. Later on as the month progresses, the purchase orders come as per that forecast, but they keep changing the forecast. So, right now the forecast is reduced. That depends on the inventory levels they have and their final customer demands. It all depends on that.
- Ankit Gupta:** Any progress on the module front, you know, like have we been able to get something through there?
- Sharad Taparia:** Module development is going on. That is for mainly bigger modules seems to be better right now, which are for heavy commercial vehicles and those programs are progressing. Typically, the start of the projects are a little futuristic, but we are making progress there. Some sales have started, and some more programs will come into play next year and some more the year after that.
- Ankit Gupta:** Sir, on the domestic metering side, any revival or any improvement in forecast we are seeing over the next few quarters?
- Sharad Taparia:** Yeah, that will, as soon as our customers, when they get more order, there are two things. One is they should get more orders. Second, the implementation, execution should be faster. That is

what they are working on. And as soon as they have something more concrete that they have, then it will immediately, we will get the result. Elections are also going on. There are many other political factors are going on. So, in specific states, demand is sometimes slower, sometimes faster.

Ankit Gupta: Just one metric that we internally, as well as some of our investors who have been tracking the company track is your project funnel, the number of projects we are working on, which are progressing to next stage. So, like given how things have slowed down, at least on the EV, as well as on the domestic metering side, have we seen some reduced in this funnel over the past year or so, or has that increased?

Sharad Taparia: No, no, that funnel is increasing only. In fact, the learning for us is that that funnel should be much more bigger, so that we don't get impacted by these segment changes, because we have two methods of that we are growing. One is the funnel that we have, pipeline, and second is the capability-based projects like alloys and let's say other businesses. So, this funnel actually should grow at a much more faster pace. That is what we are working upon.

Ankit Gupta: And any, like you don't need to name the customer, like over the past, let's say, two, three quarters, have you added some significant big clients on EV, metering or alloy side, if you can talk about some of the wins that we might have or some of the new customers that we would have entered? How many of them have we entered, if you can elaborate on that?

Sharad Taparia: On the metering and EV, not many. I don't think we have added much, but in the alloy side, we got some business from big PSUs, so on that front we have developed relationships with them. Of course, it's through a tendering process, but at least when you do some supplies you get to know about their quality levels and everything else. So, that does happen.

Moderator: The next question is from the line of Rohit from iThought PMS. Please go ahead.

Rohit: Most of the questions have been answered. I just have a few clarifications and follow-ups. So, sir, on this module, you said that the overall product is developing well, but from a sales point of view, significant or decent contribution for us will be, when you see that happening? And is it largely again dependent on EVs turning around or is it agnostic of that as well?

Sharad Taparia: The main modules that we are working on currently are mostly related to heavy vehicle, commercial vehicles and that programs are going on. I think demands for those vehicles is different as compared to the passenger cars. So, those programs are still progressing. But the start of project for the customer themselves is a little longer. So, some are in, let us say FY, '25-'26, some are FY '26-'27, some are FY '27-'28. Even very long-term programs also we are developing. Mostly, the large volumes of sales have not come because the customers themselves have other things to fix, so their start of production only is planned in future years.

Rohit: So, based on what your current understanding, when do you think this will start contributing significantly to our business?

- Sharad Taparia:** I feel that may be the year after next FY '26-'27 could be much, much bigger, just on the module side. FY '25-'26 could be small growth. My judgment that is, as on today.
- Rohit:** So, then on the alloy side, so you mentioned that we won some business with the PSU, and you also mentioned that this business will continue in the coming year as well, but you are working with some other customer which is taking a longer time. So, two questions here. In terms of the size of the business, what could be with the PSU if you can share that? And two, why is it taking a longer time with the customer? I mean, just to understand where we are and where is the issue as such.
- Sharad Taparia:** There the value add with the customer is much more higher. The process is more complex because we are doing a sort of using their scrap and addition of newer materials to produce a fresh raw material for them. So, margins are better, and for that process there are some trials going on.
- Till now everything has been successful, but for customer to implement this, final customer is an export customer, international. So, to implement this, it is taking a little more time. But once it is done, it will be a regular business, which will fill up our capacity for the next year. This is my expectation.
- For the PSU, we have executed, I think one order we have executed, and the other one we are getting, I think it is under execution.
- Sukhmal Jain:** Yeah, under execution.
- Sharad Taparia:** I think 70-80 lakhs was the order for the one order that we got, with one PSU. But that business is a, I mean, regularly they are buying. They are going through tendering process and it is all price driven. So, whoever is L1, of course subject to your technical qualification, whoever is L1 gets the business. So, that is another method by which we can fill up our capacity. But our direction is to do a higher margin business by more value addition.
- Rohit:** So, the value addition business that we are trying to do with the customer, so what kind of margins do you think, I mean, will it be like closer to the number that you are doing right now or is it lower than that? Any sense?
- Sharad Taparia:** No, it will be lower than that. So that I can't comment exactly on the margin right now. But it is better than the just pure melting of metals and then making an alloy where the margins are much lower here because we are doing a little more value addition. Margins are a little bit better, but I can't comment exactly on the percentage margin right now.
- Rohit:** So my next question was on the subsidiary Quantum. So, Phase-2, you said probably will take about 6 to 12 months. What is the kind of CAPEX that will go into that? And while Phase-3 is not decided, but tentatively any sense on what kind of CAPEX that will outlay?

Sharad Taparia: We are still deciding at the moment, but approximate number is about 20 to 25 crores is roughly what we are seeing today, but we have still not decided that as yet. So, that depends on how this Phase-1 picks up and how we are going there. All that is still under discussion with the customer.

Rohit: This is you said put 20 to 25 crores of Phase-2, right?

Sukhmal Jain: Phase-2. Yeah.

Rohit: And Phase-3, any thoughts?

Sharad Taparia: Phase-3, we have still not decided anything. The initial plan was about 200 crores, but we have not decided that now. We will take that call after Phase-2 is implemented.

Rohit: And sir, just a couple of more. So, in terms of smart meters, I was a bit confused. So, to an earlier participant you mentioned that the reason why we haven't really gotten the growth is because the customers that we are working, they have not been able to get the orders or because we are focusing on exports and hence, we are not very much in the domestic market, hence our customer roster was not very widespread, hence we are not able to get that growth. Sorry, I missed that. If you can explain that?

Sharad Taparia: No, our customer have lesser demand due to their own order issues and their own execution issues. So, the limitation is not due to us. We are ready with all the capacity and everything. So, it is up to them only.

Rohit: And you mentioned also to another participant that your smart meter business is probably 3-4 players, right?

Sukhmal Jain: Yeah, 2-3 customers.

Rohit: Are you trying to add more customers there or what?

Sharad Taparia: Yeah, because we are right now producing as per their design, they give us a design, we make as per that. We are working on a product which will be common design across all the meters they needed. So, we are working on that. And small customizations we are going to do there, but that will increase our customer base in the domestic meter. More number of customers will come in our portfolio.

Rohit: Finally, sir, I think a year or two back, I think we were sort of looking at all cylinders firing for us and sort of now things are a bit more challenging with some segments sort of taking more time and some segments really sort of reversing. So, if I look at not the immediate, let's say, not the next 12 months, but slightly longer term, let's say, two, three years out, what are your aspirations for the business? We are at 200-220 crores today.

Given wherever we are in terms of the different things that we are doing and the strategic initiatives that you mentioned in the beginning, and I have been tracking this company for almost four, five years now. So, I just wanted to get your sense over the next two, three years, how do you see this?

Sharad Taparia:

Our next step will be to achieve a top line of 500 crores and then from grow there. But I feel that the potential that we have in all the segments that we are present, the market size or whatever we are catering to is very, very large and we are nothing. We are very, very small as compared to what we can do. So, any significant order or any significant breakthrough can give us a huge jump, and that can happen as soon as the customer is ready or anything.

So, I am quite optimistic that this is a lumpy growth whatever we are experiencing. Even in the past few years whenever we grew it was a sudden jump and then it's stagnation for some time due to one sector going down, another sector going up. So, I am overall quite optimistic in the area that we are working on. We are putting in all our effort and when the result comes, it's really up to the customer and the market how they proceed and how well we are able to convince them. That is the question. We are trying to be very aggressive in terms of the effort and the investments that we are doing.

Rohit:

Sorry, I said last, but this is finally the last question. On the EV side, the previous participant also asked, so the Europeans are going through a tough challenge because of the competition from the Chinese in their markets and some U.S. players are also sort of backtracking on their EV plans. So, sir, from a longer-term point of view, how do you see this business? Is it just a cyclical blip here or there are some structural issues in the EV market itself? From your vantage point, how you are seeing this?

Sharad Taparia:

EV companies are going through this period, and they will ultimately reinvent themselves in terms of their cost structure whatever to align with the market, how the market wants, and I believe ultimately they will be successful. So, this demand will come up again. When it will come up, I don't know, but it should, because ultimately it's the product is the right thing to happen and whatever EVs are there in the market, perception is pretty good. It is non-polluting, lower operating cost, the capital cost is higher for the customer. So, once that is, let's say, at par, what we are experiencing with the Chinese EVs, that should happen ultimately with the American-European EVs also. So, ultimately, it should come back to the normal growth what we saw earlier. It should come back to that growth. This is my judgment, but I don't know about the overall market. My judgement.

Moderator:

The next follow-up question is from the line of Sanjay Kumar from iThought PMS. Please go ahead.

Sanjay Kumar:

The consumer electronics product that we supplied in Q2, what will be the global market size of that product you are supplying? Not the consumer electronics itself, just the product that you are supplying. What will be the market size or the purchase that your customer is currently doing from other sources?

- Sharad Taparia:** It is a large, it is quite large. The application is quite large. So, I don't want to comment on the specific application there, because once that audit and all is completed, everything is done, then we can make some announcements, but right now I do not want to comment on what product we are doing. And so I think we can, maybe in the coming few quarters, I can comment, okay?
- Sanjay Kumar:** And just on the same subsidiary, we were to do neodymium magnets for EV, wind turbine applications. Do any update there, or these will start only after Phase-2 or Phase-3?
- Sharad Taparia:** Phase-2, because Phase-1 we are going ahead with this customer and it is done. Then we will start supplying, and there we are going to buy the neodymium magnets, and Phase-2 will be a little bit of backward integration, and Phase-3 will be full backward integration. So then at that time we will see what other applications of magnets we are going to supply to them.
- Sanjay Kumar:** And second on alloys, the export customer, if you could talk about the application of the product? You said exporting. Is it for, what kind of application, if you could?
- Sharad Taparia:** That, I don't want to talk about that right now. Specific application, so that I can't reveal that right now.
- Sanjay Kumar:** And PSU, what is the annual purchase value of the product that we supplied? Not our tender. In a year how much do they roughly buy this material for?
- Sharad Taparia:** These are made mostly cobalt and nickel-based alloys which PSU are buying. So, you can yourself calculate how much. It's quite a large demand from the PSU, but they have various requirements. Some require only melting. Some require some additional processing. So, we have not decided what our next investment in the alloy space is going to be, whether it is going to be just expansion of the same capacity or we are going to do some additional processing on that, that we are taking a call after certain sales have happened. So, then we will take a call and decide the next investment.
- Sanjay Kumar:** So, is it possible to share how much CAPEX will be needed for alloys to scale up to, say, 100 crores kind of top line? You have not finalized any CAPEX plans for alloys.
- Sharad Taparia:** 10 to 15 crore you can say, tentatively what we look at. It could be more also.
- Sanjay Kumar:** And in EV business, how do we become more relevant for our customers or how do we go up the value chain? Do we have to do the sensor designs or the current shielding designs in-house or do we have to say backward integrate into shunt resistors or something like that so that we form a bigger part of their value chain or the product?
- Sharad Taparia:** Our customers are tier 1 companies who are automotive companies. They are doing EV as well as non-EV. What we are doing is that we are pitching all the capabilities to them and telling them whatever business they can give us, whatever development we can do, EV or non-EV, we are open to doing that, and they are giving multiple new projects. We are just pitching the

capabilities. So, we are not saying we want to do only EV. We are open for everything. We are hungry for business right now.

Sanjay Kumar: And in annual report, we had mentioned development of motors and generators. I think we already do stator rotor. Is there any update on motors and generators?

Sharad Taparia: Stator rotor is a part of the motor only, not generator, we have not done anything till now. But motor we are progressing because all the subcomponents we are already doing like stamping, winding, molding and magnet we already have a plan. These are the parts of a motor, stator and rotor. So, there we are making progress. The first project that we have done, that sales is slowly, slowly increasing and now we are advertising that capability to other companies and other applications and trying to get more enquiries at this stage. But once it grows, it will become a separate division of the company.

Sanjay Kumar: But by also planning magnets, will we have advantage over the other motor manufacturers because they kind of only do assembly of sorts, whereas we can do end-to-end motors? So, can we have advantage in the motor?

Sharad Taparia: Yeah, we should. Because we will be producing our own magnets, so there should be an advantage.

Sanjay Kumar: And final question, sir. When do you think we can hit the 500 crores top line that you had answered in a previous question?

Sharad Taparia: I can't comment on a specific time frame, but the desire is as early as possible. But if we get one or two solid breakthroughs in any one of these areas, these are large, say, quarter values, we will be able to hit it that much faster whenever we get that. So, I can't comment on a specific timeline.

Sanjay Kumar: Looking forward to it.

Moderator: Thank you. The next question is from the line of Sri Ram R, who is an individual investor. Please go ahead.

Sri Ram R: Sir, if you can just break down the first half's revenue into shunts, Hi-perm and magnetic assemblies, and also you can just tell us how is this breakup changed post-COVID.

Sharad Taparia: First half, I can break it down by application wise. So, application wise, about 50% was electricity meter business, about 25% was automotive, and magnets and alloys were about 12%, and others was about 17%.

Sri Ram R: What is the composition of these others? 17%?

Sharad Taparia: These are all other applications other than CTs and other including some gas meter also, all these everything else put together.

- Sri Ram R:** Ok, other including gas meters. And sir, regarding this Alloys division, where do these alloys go into in terms of sectoral application? Can you just tell us?
- Sharad Taparia:** We are generally doing Cobalt-nickel alloys, which is used for high temperature application, super alloys, oil and gas, powder metallurgy, defense application, these are the applications.
- Moderator:** Thank you. The next question is from the line of Keshav Garg from Counter Cyclic Investments. Please go ahead.
- Keshav Garg:** Sir, I wanted to understand that, firstly, sir, did I hear it correctly that per smart meter you are expecting a contribution of Rs. 270 to Rs. 400 per smart meter?
- Sharad Taparia:** The product that we are working on, yes.
- Keshav Garg:** So, if that be the case, sir, so there is a requirement of 25 crore smart meters in the country approximately. Sir, so even if we take Rs. 300 per smart meter, so it's around 7,500 crore opportunity for our, basically the TAM for us. Sir, so out of the 25-crore smart meter, what kind of market share you think that you are capable of capturing in terms of percentage?
- Sharad Taparia:** See, we are planning to build the product with such a quality that all customers should come to us instead of buying from other suppliers. So, then depending on what they need, we will have to set up capacities and all that.
- So, market share, how much can we get? I can't comment at the moment. Desire is to fulfill everything, everything whatever we can do. We have to just set up capacity accordingly. Once we have the product ready, we will advertise to customer about the quality. And of course, it's a price driven market also.
- Some customers may not be interested in the best quality. They may be working with a lower quality, lower price. So, that will not be our segment. Out of this 25 crore installations, we do not know how many are doing with a lower quality, but I would say the top companies should be interested in buying from us. They may also have a decision-making to do, whether to buy 100% from us or whether to keep two suppliers. All that will come into play.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Sharad Taparia for closing comments.
- Sharad Taparia:** Okay. Thank you everyone for participating in the call. I hope I have been able to answer the questions and queries, whatever you had. And as we have done in the past, we will keep the investors updated about whatever the company is doing. And thank you very much.
- Moderator:** Thank you. On behalf of Permanent Magnets Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.