



Permanent Magnets Limited

“Permanent Magnets Limited Q4 & FY2023 Earnings Conference Call”

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Permanent Magnets Limited



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Moderator: Ladies and gentlemen, good day and welcome to Permanent Magnets Limited Q4 & FY2023 Earnings Conference Call. 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 '*' then '0' 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 Private Limited. Thank you and over to you Mr. Pokharna!

Sayam Pokharna: Thanks a lot Vikram. Good afternoon everyone and a very warm welcome to each and every one of you. Thanks for joining the maiden earnings conference call of Permanent Magnets Limited. The investor updates and presentation have been already submitted to the stock exchange, in case someone wants to be added to the mailing list, please feel free to reach out to us. 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 be starting with a brief overview on the company's performance for the quarter and for the whole year followed by answers to some pre-registered questions received from the participants and Q&A session. I would like to remind you all that anything and everything that is said on this call that represents any outlook for the future, which can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties have been detailed in our annual report. Over to you Sharad Sir.

Sharad Taparia: Thank you Sayam. Good afternoon and I welcome you all to the Q4 and FY2023 earnings call of Permanent Magnets Limited. Thank you all for taking out the time to attend this call. It is a pleasure to address you all today and walk you through our performance for the quarter and for the full financial year. As you would have already seen from the financial performance, FY2023 has been a good year for the company. We reported our highest ever topline for the year, it stands at Rs.188 Crores, it is up by 41% as compared to the previous year. The profit after tax stood at Rs.30 Crores which is an increase of 56% over the previous year. On the balance sheet front, we did witness some increase in the working capital cycle primarily on account of higher inventories and receivables, this was mainly due to the higher lead time for raw material and a few overdue amounts by our customers as on March end.

We now come to the operational updates. There have been two primary reasons for the growth in FY 2023. In our electricity meter operations, we were able to secure higher wallet share in one of the decent sized product categories from one of our existing customers. Secondly, we saw good demand scale up on the automotive front. We added some new customers on the EV platform while demand from the existing customers also scaled up. Coming to our upcoming manufacturing facility, things have been a little slow there

mainly due to the delays in land acquisition. We are now expecting a closure on this front in a few months post which we will begin the civil construction work at the site. Nonetheless, the company has been investing in plant and machinery at the current location which we intend to shift to the new plant once it is set up. We expect that the upcoming facility will take about two years from today, but we are geared to cater to the increase in customer demand from our existing facility and if need be, we will lease out additional space nearby to the existing operations. So this delay I understand will not have any impact on our ability to service the growth opportunities that we are getting.

We have also signed a non-binding MoU with Quadrant International and at this stage I can say that the opportunity we are exploring is quite interesting and it has the potential to be an alternate supply chain globally, which many companies are looking for. Going forward, the company continues to work on its laid out strategic priorities including adding manufacturing and technological capabilities, working towards moving from components, towards modules in some product categories and exploring additional growth drivers. So now I would like to open the floor more questions.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We also got questions on emails, sir would you like to read out the questions and answer them initially and then we will take the online questions.

Sharad Taparia: Yes. First, we got questions from Mr. Ananth Shenoy and I will read out if he is there on the call I will read out his questions and the answers.

Moderator: Yes sir. Please go ahead. Mr. Shenoy is listening to the call. Thank you.

Sharad Taparia: All right. So the first question is can you please update about your key segments, energy meter, automotive gas meters on FY2023 and Q1 and what was the growth driver in FY2023, how is this mix likely to change in the next two years?

Our growth driver for FY2023 was both in automotive and energy meters. Both segments we have uploaded a presentation and as you can see FY 2023, 32% of the sales came from automotive segment which was 25% last year and 45% of the sales came from energy meters which was 38% last year, so both the segments have grown. In the next two-three years it really depends on the product mix, how this will move, but we do expect EV segment to grow more since world wide this segment is going pretty fast.

His next question was how much sales in the automotive is EV versus non-EV?

Approximately 85% to 90% of the sale is towards EVs in the automotive segment.

The next question is about the client acquisition over last one year, how many new clients had the company added?

We have added approximately 15 to 20 new clients and among these three are companies which are larger in size.

Next question is how do you see visibility in automotive segment over next two, three years, how are the existing relationships scaling?

So business in this segment will grow existing relationships are scaling well I can say.

The next question is, can you please talk about new key products we have developed in the automotive space and potential?

Mostly all our products are customer design products, once the customer shares the design, we give inputs to improve that design based on the manufacturing requirements and this alteration goes back and forth a few times, so answer to that question is most products are customer design. We are also exploring possibilities in alloy business which can be a growth driver for future.

Next question is, you have mentioned in the past AGM that some of the orders could be larger in size in this segment? Since we have not executed large size projects what preparations are you making in terms of team size, process, hiring and manufacturing so that we can sail through an execution of large projects.

I can say that we are putting the suitable resources to execute large projects we do not see a problem in providing resources for larger projects also. We are doing a suitable hiring, already new plant we are doing work on that, required capex is being planned. So based on project to project we are planning that.

Next question, you were mentioned in the past that our pipeline is strong and once the product goes commercial, we could see growth how is the pipeline now?

The pipeline is growing well. We have now a system in place to track each project and each stage and the pipeline as a whole. So based on this we are now able to track each project very well and the pipeline at each stage very well and it is giving us a better visibility, but the pipeline is growing well.

Next question is, how many projects do we have in the pipeline?

I would not like to say any particular number here, but that number is increased substantially compared to last year.

Next question, last year you mentioned about 200 projects in the pipeline. How has this changed?

So this I would not like to again give any number, it has increased substantially.

Next question, what is your expectation, visibility of a few projects going commercial in FY 2024, 2025, 2026?

Each of our projects has a different start of project given by the customers. Some are two years, some are one year and depending on project to project, so few projects will go commercial in these coming three years that is our expectation.

What are the forward integration plans of company into modules and plans for integration of new products?

So the company is showing the capability of manufacturing modules to our customers. So therefore hopefully, we will get more business or modules in future. Already, we are doing forward integration into modules, so we are in that direction.

Next question is, have the modules sales started for the company? How much sales of modules in the last year?

So we have done Rs.2 Crores of sales in FY2023 it is still a very small amount of sales. Once we have a larger project there, the sales will increase.

Next question is, how do we see this in FY 2024, 2025?

I can say it is expected to increase, but I cannot give any particular numbers.

What is the opportunity size in the module that we have developed?

Different modules have different values, if it is a large sized module it has a bigger value, so it depends on the complexity and the application, so we cannot give an overall total opportunity size of the modules.

Next question, what are the pipeline projects in modules?

There are multiple projects on modules and as we are going along, we are getting more and more inquiries for modules. It is a forward integration for our company.

Next question, what is the competitive landscape in our product range? Who are the key competitors in domestic and global markets? Given that there is good demand for our products have we seen any new competition come up?

Our products are mainly customized products. It is not a single product. Each product that we make, we supply to a single customer we do not supply one product which is made for one customer to another customer, because we are bound by agreements, so there are no fixed competitors to this business, but few companies that are there I do not like to name them, but mainly they are located in China, Europe and USA.

So the next question, automotive export versus domestic sales mix in FY2023?

It was about 35% domestic and 66% exports in automotive.

Next question, you mentioned we are supplying parts to transformers used in charging stations, can you talk about success in this project? Last year you mentioned about this project how has this changed?

This application is in research and development phase. We have not done any sales for this. Our customers are also developing and we are helping them to do this development may be this year some production, some projects may materialize and we may start some sales.

Next question, last year you had mentioned that Hipermis 50%, Shunt 30% Magnet Assembly put together 20%. Can you talk about applications of these which segment each technology goes into?

So revenue wise the percentage is almost similar as last year and applications are again in the same automotive and energy meter rather are the biggest two applications.

Next question, can you talk about new capabilities over the last years?

Mainly the new capabilities that we have developed is casting related technologies. We have developed stator and rotor manufacturing which goes into a motor. It is the heart of a motor. We also developed capabilities in high-speed stamping which are parts required in the motor and laminations.

Next question, how much revenue comes from CT technology? What are the applications?

Approximately Rs.10 Crores and the main applications are LTCP, energy meters, these are the main applications.

The next question is 30% of sales is coming from Shunt how is it different from what Shivalik Bimetal are they our supplier, can you please explain the supply chain insurance?

Shivalik Bimetalis our supplier and we use their material and we make assemblies which are customized as to customer requirements from the Shunts.

Next question, how is our relationship with Maglab scaling up given that they are taken over by another company?

This relationship has been growing well. Maglab got acquired by another company called CTS.

Next question, the smart meter, how does the growth look over the next two, three years? Any signal in addition to customers we have done in the past three years. Earlier we had issue with chip shortage now with that resolved how do you see it going forward?

Here the business is mainly coming from the existing customers for different type of products. The chip shortage overall it seems to be easing out. It is still not fully resolved, but it is easing out. Outlook is good according to us.

Next question, any new customer addition, any new products or smart meters?

Yes, there are some complementary products that we are developing, we were mainly doing current sensing, but now some more complementary products we are developing.

How is the relationship with Itron scaling, are we developing any new products for them?

So PML has been selected as the preferred supplier to Itron and we are getting many other inquiries for some other products from them.

Smart meter side export versus domestic.

So 80% is export and 20% is domestic.

There are questions about gas meter. We had earlier supplying parts to electro mechanical gas meter and we are developing parts of electronic gas meters any success?

We donot have any success yet from the electronic gas meter parts and currently we do not have any visibility. We are working towards getting some opportunities there.

Next question is about aerospace.

There are two projects going on in aerospace, but volumes are still not very big.

There are some questions about renewable aerospace I have already answered that and there are some questions about margins. So margin depend on the product mix, each product has a different margin depending on complexity, but overall we expect it to remain the same then there are some questions about facilities which I already answered that we will not have any down time due to shifting of the new facility. We will plan it well to shift and there is capacity utilization question. For us the capacity is not a constraint, we can add capacity very quickly because each line is a customized line and capacity is different for different products and there is one question was relating to central excise loan, it is still pending with Government of India. There is a question about the revenue growth for the coming year and FY2024. At this time we expect about 20%, to 25% growth as per visibility today.

Sukhmal Jain: So we answered most of question of Mr. Shenoy hope you are satisfied and let other participants also get time to ask question.

Moderator: Thank you sir. We take the question from the line of the Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: I am the first time to the conference call. Just one or two basic questions. On the ferrite magnet side usually what is the content per car and how much do we supply car and the two wheeler?

Sharad Taparia: We don't supply anything in ferrite magnets. We supply our main magnet businesses for alnico magnets. We don't supply anything in ferrite segment.

Pritesh Chheda: And how much will be the content there?

Sharad Taparia: You are asking about content of ferrite magnet in the car?

Pritesh Chheda: Yes, content in the car and in a two wheeler.

Sharad Taparia: In the electric two wheeler, there is practically no content I believe. Generally, the motors are made out of neodymium magnets and not ferrite magnets to keep the weight very low and in the car also I think the ferrite magnets are not used much. I am talking about the EV segment.

Pritesh Chheda: So our supply of magnet in the car and two wheelers is where?

Sharad Taparia: We are not supplying any magnets, the main application that we supplies for current sensing devices not magnets. Currently, our magnet supply for automotive is quite less.

- Pritesh Chheda:** Okay. The other question is someone asked you in the asset utilization part, Rs.33 Crores gross profit we have on the balance sheet today Rs.9 Crores which you have invested for this year. What kind of asset turn is possible on that block?
- Sharad Taparia:** Now each product has a different capex line. I cannot give you a general answer on the total capex, this capex whatever we have done for various machineries for various products, some products have a much higher asset turn and some are longer. I cannot give you a general answer on that.
- Pritesh Chheda:** But this Rs.33 Crores of gross block which is there on balance sheet, can support what kind of revenue like 300 or less than that?
- Sukhmal Jain:** It will be sufficient to cater to the near future growth and as and when required to keep on adding about that, we are not very high capacity company.
- Sharad Taparia:** The asset turns are generally are pretty good.
- Pritesh Chheda:** No problem sir.
- Sharad Taparia:** We cannot say exactly about how many turn it can do, it depends on the material price many other things.
- Sukhmal Jain:** But we recover very fast.
- Pritesh Chheda:** No problem sir. On the new capex side and that MoU, so what is the new capex, the Greenfield that you are trying to, what is the time there?
- Sharad Taparia:** Right now, we are just exploring a possibility of setting up a joint venture for neodymium facility. Depending on the size of the facility, we will have a number on how much capex we will have to do, but that we have not arrived at confirm number as of now. Right now exploring with them and we will soon decide on that.
- Pritesh Chheda:** And that land that you are seeking where you want to shift your plant, what is the capex there?
- Sukhmal Jain:** Total capex we expect on land around Rs.10 Crores and in facility around Rs.15 Crores to Rs.20 Crores, the total capex will be around Rs.25 Crores to Rs.30 Crores.
- Pritesh Chheda:** Okay and my last question on the cash flow side. Last three years I see a continuous deterioration in the cash flow generation of the company especially the EBITDA to cash flow conversion because of the working capital. There is a continuous increase. First of all

why is it so that back to back three years it is happening and what is the rectification or solution for it?

Sukhmal Jain: Raw materials are imported so very big cost, sometimes our customer postponed and we end with big inventory. So this we have in our forecast on reducing inventory and both current year we will be able to achieve our target.

Sharad Taparia: The last few years also due to COVID, there are uncertainties and we also decided to increase that because of the high lead time.

Sukhmal Jain: And disturbance in logistic.

Sharad Taparia: Some of our supplies high value items mainly produced by very selected few companies in the world, the lead times are very, very high.

Moderator: Thank you. The next question from the line of Pratik Jain from Solidarity Investment Managers. Please go ahead.

Pratik Jain: Sir, my question mostly around the shunt part. Can you please help me understand specifically in two wheeler, four wheeler, do we supply shunts just for BMS or all bikes wherever it is required?

Sharad Taparia: Shunts we are supplying as per the customer design and for BMS right now we are trying to enter into a module as a whole BMS whole module but right now it is only a shunt. This is a very less. The quantity of shunts for the EV application is less.

Pratik Jain: Can you quantify the number, how many shunts goes in two wheeler and four wheeler?

Sukhmal Jain: We are supplying to four wheeler manufacturer which is very less may be.

Sharad Taparia: Generally the shunt number per car will be only one probably that is what we know at the moment. Electronics may use some more shunts, but the main current sensing shunt maybe less, it may not be used also depends on the customer design.

Pratik Jain: Can I assume that it might be in the range of one, two?

Sharad Taparia: Maybe.

Pratik Jain: Can you help me what is the realization of it like what cost do you charge?

- Sharad Taparia:** It is depending on the current carrying capacity of the shunt. If it is large for example, four wheeler will require a bigger shunt and two wheeler may require a smaller shunt that really depends on the size.
- Pratik Jain:** Any average number you have in your mind, the cost per shunt?
- Sharad Taparia:** Maybe Rs.200 approximately for a four wheeler roughly.
- Pratik Jain:** Okay and is the realization higher in export market, international market?
- Sharad Taparia:** You are talking about shunt or what are you talking about?
- Pratik Jain:** I am just talking about shunt.
- Sharad Taparia:** Shunt assembly that we supply for energy meters, generally realization is higher in the export market.
- Pratik Jain:** If possible can you just quantify the delta? How much it will be higher?
- Sukhmal Jain:** There are different, different sizes of shunt.
- Sharad Taparia:** It is depending on meter to meter, I cannot quantify the number.
- Sukhmal Jain:** May be starting from Rs.10 to Rs.100.
- Pratik Jain:** Thanks a lot.
- Moderator:** Thank you. The next question from the line of Dhwanil Desai from Turtle Capital. Please go ahead.
- Dhwanil Desai:** Good afternoon Sharad. So my first question, I think we did around Rs.68 Crores revenue on automotive side and if I understand we have added new client from that segment in last two, three years some of them are scaling up and some of them are yet to scale up, so how do we see revenue from automotive segment in next two, three years, can we cross Rs.100 Crores given the pipeline and commercialization of the product that you have.
- Sharad Taparia:** The potential is there to across Rs.100 Crores how fast it can be done it depends on the commercialization of the projects and start of the project given by the customer. Generally automotive customers, they work many years in advance, some different projects are there in different pipelines.
- Sukhmal Jain:** We are likely to cross 100 Crores.

- Dhwanil Desai:** Okay. I think you have said that we have put in a system in place to monitor the pipeline and kind of gain some visibility on the revenue side of it. Can you at least give some sense as to how many projects are at a very early stage, how many have gone to a RFQ page and commercial discussions and how many are prototyping and then commercialization at least percentage wise if not absolute number.
- Sharad Taparia:** There are many number of projects, I cannot give you exact percentage, but they are in various stages some are in leadstage we have received RFQ somewhere in price approved, we are giving prototype samples, some are in designing stage, some are already one, we have already got starting the business is starting. So I cannot give you exact percentages on the pipeline.
- Dhwanil Desai:** Okay. One more question is I think on the electricity nickelside that has been a mature and steady business for us, but you mentioned that with one of the largest customers we are kind of exploring opportunities for lot more products and also there is a potential of doing modules on this side even domestic meter size if you can give some sense, so all put together can this segment grow at 15%, 20% for next two, three years, how are you looking at that segment?
- Sharad Taparia:** Energy meter segment is growing well and PML has been perceived as a good supplier for this segment by our customers. Top three customers in the world they are already PML's customers, so I expect the growth to be good on the energy meter side.
- Dhwanil Desai:** Okay and sir last question, we did this MoU with Quadrant, so how is that PML, Quadrant is a reasonably large size company, how they approached PML, what capacity they think you will bring to the table and what I was reading that alternative supply chain that we are talking about, but Asian focuses are controlled by China, so will be addressed that problem at the JV if that all happens.
- Sharad Taparia:** Firstly, with Quadrant we have a relationship for some time now, they were looking for a company in India who has a magnetic understanding, so PML is well placed there, so they approached us and we signed this MoU. Regarding the supply chain, India has a reserve for rare earth, but there is no currently nobody producing the metal. Our dream is to have a supply chain from India, but we will not restrict ourselves for raw material only from India. We will develop India also as a full supply chain right from the ore to magnets that is the plan.
- Dhwanil Desai:** Okay. Thanks. If I have more questions I will come back.
- Moderator:** Thank you. We take a next question from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Good afternoon Sir. My question was you mentioned CT division contribution is around 5% to sales, so what was the contribution from Hiperm and Shunt division for this year as well as last year roughly?

Sharad Taparia: That is almost the same as last year, Hiperm division is about 40%.

Sukhmal Jain: Total sales of around 50% from Hiperm division and rest is from all other.

Aman Vij: Hiperm is 50% and...

Sukhmal Jain: Sorry, I cannot hear you.

Aman Vij: Hiperm is 50% and Shunt division is how much?

Sharad Taparia: Hiperm is 50%, Shunt is 30%.

Aman Vij: Okay sir and last year the number was similar, 50%, 30% only?

Sharad Taparia: Can you repeat that?

Aman Vij: This year is 50%, 30% Hiperm and Shunt, what was it last year the contribution?

Sharad Taparia: Similar.

Aman Vij: Okay and if we divide it in a different way like you have five revenue product platforms, magnetic sensing, current sensing, assemblies, alloys and casting what is the mix now versus last year?

Sharad Taparia: We are not dividing the mix in terms of revenue percentage is there, we are dividing in terms of application which is automotive, so we have an energy meter mainly, we have not divided.

Sukhmal Jain: Mostly going into this current sensing.

Sharad Taparia: But the majority sale is in current sensing.

Aman Vij: Is it safe to say 60% plus is current sensing.

Sharad Taparia: More than 50%.

Aman Vij: Sure and the two new divisions it is relatively newer division, so how are these going in where do you see this new division as a percentage of our sales in next three, four years?

- Sharad Taparia:** I am quite optimistic about these divisions.
- Aman Vij:** Okay and the application that these are going so which segment do you think will be the main driver in these two divisions alloys and magnet.
- Sharad Taparia:** Alloys will be mainly special alloy which require nickel, cobalt, these types of alloys which are a special application for tooling, for aerospace and these type of applications where people require really pure alloys.
- Aman Vij:** Sure sir and for Zamak?
- Sharad Taparia:** Zamak has multiple application including automotive also consumer applications, so Zamak is an alloy, zinc and aluminum and it has multiple applications.
- Moderator:** Thank you. We take the next question from the line of Manan Poladia from MKP securities. Please go ahead.
- Manan Poladia:** First of all congratulations on posting a great set of numbers. My first question is regarding the components to module I think your slide #28 in the investor presentation. I wanted to understand this whole product stage one, two, three, four bifurcation that you have given could you please put some more color on that and explain where we are currently in that whole product state cycle?
- Sharad Taparia:** We are moving towards modules, I am sorry I did not understand your question exactly. What do you want to understand?
- Manan Poladia:** What I want to understand Sir is currently are we just applying the shunt assemblies or are we at shunts plus wires or a shunt plus wires plus PCB and plus concentrated so where are we in that stage and how soon do we hope to get to the next stage?
- Sharad Taparia:** So we are mostly in product stage one and two and we are moving towards three and four, but in different products we are in different stages, some customers are already talking to us about product stage three and four, so it is not a general one single product, for different products at different stages.
- Manan Poladia:** I understand. Sir, my second question is on the MoU with Quadrant International about exploring the neodymium magnets, so is that just going to be catering to automotive or is that going to be catering to something else as well? There is the slide where you have written about white goods and wind turbines and ICV, HEV, I wanted to understand what we are targeting as our consumer applications?

- Sharad Taparia:** The wind turbines and electronics in the automotive are the biggest three applications in world wide globally, but we are targeting currently automotive and electronics, these two are the major.
- Manan Poladia:** Also just one last followup on that you have written about the global demand estimate for neodymium magnets for 2013 and 2015, 119000 tons in 2020? What would the current demand be as well as what is the current supply if you are aware, what is the current market size?
- Sharad Taparia:** Market size you are talking about neodymium?
- Manan Poladia:** Yes, neodymium.
- Sharad Taparia:** Already we have given that in the slide I think total size is about 120000 tons led which is going to increase based on the number of EVs. In China for example EV penetration is much more higher and that is going to replicate in India.
- Manan Poladia:** So I meant not the demand, but what is the current supply of neodymium magnets is there like a supply demand mismatch or did supply equivalent to current demand?
- Sharad Taparia:** Supply equivalent to current demand mostly being catered to by China only.
- Manan Poladia:** Most capacities are at full utilization in China would you say or is that not fair to assume?
- Sharad Taparia:** Can you come again.
- Manan Poladia:** So I was asking sir, other capacities in China, the supplies that is coming out of China, would you assume that their capacities are at full utilization or would you assume like they are at partial utilization and they still have space to supply them?
- Sharad Taparia:** I would assume that they are at near to full only utilization.
- Manan Poladia:** I understood. Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Sanjay Kumar from itthought PMS. Please go ahead.
- Sanjay Kumar:** Thanks for the opportunity. I have three questions. First on our modules progression, because from the exports data, we seem to be selling mostly cores and machines so why are we not started sending our IoT or can modules although I think we have had the capability since 2019 itself. Can you compete with someone like Melexis and become a tier1 by replacing Melexis or even CTS, you mentioned that we sell Rs.2 Crores, we sold

Rs.2Crores of modules in FY2023, can you mention which OEM was it and if you want to become a tier1 will it affect our existing relationships with us tier1 relationship that we have?

Sharad Taparia: We are moving towards module, it takes time for the customer to test and to develop and to commercially start buying. Melexis, for example you say about Melexis is a complimentary product to us, it will not be competing with Melexis and modules each customer has a customized module, once they give us a design we have to make as per that design. In future I expect that we will move towards the modules and more and more customers will buy modules. I don't see any competition from tier1, tier1 companies are making bigger assemblies and supplying to main OEMs.

Sanjay Kumar: Okay, can you mention that OEM that we did Rs.2 Crores?

Sharad Taparia: No, I would not like to name Sir.

Sanjay Kumar: Okay. Second question sir in FY 2022 annual report, we have mentioned joining material using ultrasonic welding as part of the R&D carried out very good news because welding was one capability that we did not have, does it mean we can make our own shunts and how is ultrasonic different from the electron beam welding that Shivalik uses for its shunts.

Sharad Taparia: Electron beam welding is the process used to join this together through make the strip copper magnet and copper. Ultrasonic welding is the process which is used to weld plastics together so it is two different technologies, not connected to each other.

Sanjay Kumar: But can we do the electron ourselves, can we make the shunts that?

Sharad Taparia: No, we are not doing it at the moment, we are buying this right now and forward integrating. It is always an option in future to do it, but right now we have not done it.

Sanjay Kumar: Okay and third question. I can also see rotor, stator assemblies as a new capability in our website that does not mean we can make the complete BLDC motors or is it only sub components, do we have any LOI for these motors or components, are we close to commercialization?

Sharad Taparia: This is a part of the motor, but the main part of the motor stator and rotor. It has to go into a housing then a PCB has to be added with software to make it work for the full motor, right now we are not doing the full motor that our customer is doing, so we are pretty much supplying the main heart of the motor. This has started recently and we expect it to grow.

- Sanjay Kumar:** Okay and can you talk about this EV motor scenario because I know we are working on BLDC, but someone like Sona is working on SRM or even PMSM. My understanding is BLDC is used only for EV two wheelers, but companies are focusing on SRM because it does not have expensive magnets, so any color on the EV motors situation currently?
- Sharad Taparia:** Using AC motor which do not require magnet at all and some companies are using, but there are certain advantages to having motors with magnets, some companies that designs more efficient, more cost effective that way, but it really depends on customer to customer, but some companies donot use motors with magnets, because they want to move away from magnets.
- Moderator:** Thank you. We take a next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Thank you for the opportunity and congratulations for a good set of members. My first question was have been telling that our product pipeline does have some projects which have an ability to turn \$2million or \$5 million to \$10 million kind of projects, so are we close to commercializing any of these projects in the year or so?
- Sharad Taparia:** I cannot say here, but some of them are at pretty good stage, but that depends on the start of the project initially when it starts it will start with low volume and then mature over next one, two, three years, there it goes with higher volume. So I cannot say that this year itself we will have a one big project.
- Ankit Gupta:** But there are two projects who can scale up to \$5 million, \$10 million kind of sales over two, three years which we are currently doing?
- Sharad Taparia:** There are opportunities like that.
- Ankit Gupta:** My second question was on the possibility of JV with Quadrant International, so you spoke about mining this rarer products like what we do exactly in this JV and what will be the capital outlay for this projects, how big will this be and related to that we understand that there is a huge push from U.S. government to move away from China for this particular neodymium magnet MSDS, so lot of companies including Quadrant are exploring opportunities outside of China to reduce their dependency, so any view on that and the question on the capex and what kind of investment will be requiring if we enter into JV with them?
- Sharad Taparia:** We are not going to do mining that is not the plan. We will buy the processes draw material and then start make metal and then all the further processes that is the final idea once it is

done. It has to be done stage wise, we cannot do everything in one shot, so that is the broad thinking at the moment.

Sukhmal Jain: First we start with assembly with neodymium magnet.

Sharad Taparia: And go up phase wise and then the investment capex also depends on the size of the project on how many tons capacity do we want to set up, we would like to start up with a smaller capacity either get the feel of the market and then grow bigger from there, so it really depends on the size of the project.

Sukhmal Jain: As of now nothing is decided.

Moderator: Thank you. We take a next question from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Sir you would mentioned in the past that our customers would want to stick to a single supplier like PML because of criticality of the products and strict tolerances, performance related, so is that only valid for products where we supply magnets or magnet based assemblies or does that equally apply to shunt based current sensing products where we are procuring shunts from outside?

Sharad Taparia: Mostly applies to the soft magnetic material, so it is very sensitive to the readings that they generate for some current sensing devices, so this mainly if they would not like to shift and change to multiple sources, so mostly related to soft magnetic materials.

Keshav: Okay and for the shunt-based current sensing products, we might have secondary supplies?

Sukhmal Jain: Yes.

Sharad Taparia: But in our line of business we find that as we go along generally okay with one single supplier even for shunt.

Keshav: Okay. Secondly, we are working horizontally with many customers and we keep adding more to improve our success and say currently 90% to 95% of the business is non-commercial supplies, which is low volume and we have very high ROC on the current business, so another two to three years some percentage of commercial business comes, this higher volume commercial business will come with better ROC or at least in the line with the current based business?

Sharad Taparia: That we can pick and choose, products which are good and we can have the best possible ROC, so currently we do not see any change happening in the ROC. We are moving towards keeping it same or may be improving that is the idea.

- Keshav:** Thank you and all the best.
- Moderator:** Thank you. We take the next question from the line of Ashit Kothi from Almondz Global Securities Limited. Please go ahead.
- Ashit Kothi:** Good afternoon and thanks for the opportunity and congratulations to the management on good set of numbers. I also want to know this is being our first investor meet, so going forward we hope that this would continue and only one question which I have is while we are exporting to China majorly 80% of our automotive part goes towards China if I have understood it rightly then that dependency can create any issue?
- Sharad Taparia:** 80% is not going to China, some of the volume is going to China, it just supplies is to Europe USA and the final customers are mostly in Europe and USA. They may ask us to supply to some Chinese integrators. The final customers are in Europe and USA.
- Ashit Kothi:** Okay. So if you have to divide our export sales region wise Europe, U.S.and China then how do we?
- Sukhmal Jain:** Region wise America we have around 29%, Europe we have around 25%, Asia including India has 46% out of this 46%, China may be around 10%.
- Ashit Kothi:** Thank you Sir.
- Moderator:** Thank you.We take a next question from the line of Rahul Jain from Credence Wealth. Please go ahead.
- Rahul Jain:** Thanks for the opportunity.Congratulations Sharad ji and Sukhmal ji for a wonderful year, a great performance for the year and look forward to much better times ahead. I have three questions. Sir, firstly on the business side in terms of the size like we have been observing and we have worked very hard for last 10 years and we have gotten to some very marquee customers on the auto as well as energy side and typically what we have observed on the auto side is the customer addition in last few years or last I would say four years has been pretty good, newer customers have been added practically every year, so have we reached an inflection point where the scale up of this customers can be really some of these customers can really become large customers to the extent of say \$5 million or better how do we look at it Sir? You have alluded to this fact in our interactions also and one of the previous participants also you mentioned about it.
- Sharad Taparia:** The customers that we have added, here mostly very, very big size customer some of them so more than \$5 billion, \$10 billion companies also, so scale up can be quite big depending

on what kind of opportunities we can get with them even if we let us say do not add many more new customers even these customers have the potential to give us large businesses.

Rahul Jain: So based on your discussion and the scale up which you have done till now, do you feel both these customers can really become \$5 million to \$10 million in the next two years?

Sharad Taparia: Already we have some very large customers also, it is possible.

Rahul Jain: With regard to the module, we have done Rs.2 Crores business this year, commercial supplies have been done which is commendable because we started talking about modules about two years back, so from here on how do we see the scale up say next year 2 can become 10 and then 20 something like that because that initial time takes a lot of time but once you are starting supplies can we expect a sharp jump in the module revenues?

Sharad Taparia: I am optimistic about that I cannot give you any numbers how much revenue we can generate, but once it starts it will be a good business.

Rahul Jain: I am not asking the revenue number for this year but I was just trying to understand whether this kind of scale up from 2 to 10 and 20 something of this nature will happen in this kind of business?

Sharad Taparia: It is possible to scale up that kind of jumps, because Rs.2 Crores is nothing a very small number.

Moderator: Thank you. We take a next question from the line of Vaibhav Badjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Badjatya: In terms of number of employees both permanent and contractually, can give me the number for last year basically close of FY 2022 close of FY2023 and what you are planning to do in FY2024?

Sukhmal Jain: In FY 2022 we have around 120 permanent employees. This increased to around 135 in FY2023 and we are expecting to add depending on the opportunities may be around 20-25 permanent employees in current year.

Vaibhav Badjatya: In contraction I am sure most of the shop floor workers will be contractual.

Sukhmal Jain: 315 in FY2023 and we may add around 50 more in FY2024.

Vaibhav Badjatya: FY2022 how much is, I missed that number.

Sukhmal Jain: FY2022 from contractual was around 300.

- Vaibhav Badjatya:** Secondly, just talk about moving from component to modules, so I understand in electric meter we are supplying to the metering company so I am sure metering company is not making modules where we making the whole meter, but in other segments are we competing in one way with our customers extend or how it is going to work because I am sure we are eating into somebody else's pie so I just want to know where the pie is?
- Sharad Taparia:** Generally when the customers are designing these modules or they give us a design, we make up for that so we are not necessarily that we are competing with our customers. The customer gives us a design and we are supposed to supply our integrator. Integrator is not really our customer. Customer is final company which gives us a design. We are not competing with them.
- Moderator:** Thank you. The next question is from the line of Raman Gupta from S Fintech. Please go ahead.
- Raman Gupta:** My question is on the two sides. One is the risk side as we are getting the magnets from Shivalik Bimetal right, so in case now Shivalik Bimetal itself is seeing a big demand right. So in case they are not able to supply the magnets to us. What will be our scope there, so how would we be placed and second question is what is the margin diversification from India as well as from the foreign Europe or US right, so I have two questions on that part.
- Sharad Taparia:** Shivalik does not make magnets, they supply us raw materials.
- Raman Gupta:** Bimetal sorry.
- Sharad Taparia:** They supply us bimetals so what they do is they join the two metals together, there are other suppliers also for that so we do not have a risk, if they do not supply we will not be able to make.
- Sukhmal Jain:** We already have identified suppliers in other countries, so there is no risk.
- Raman Gupta:** Okay and what about the margins from Europe, U.S. and India?
- Sukhmal Jain:** Better in Europe and America than in India.
- Raman Gupta:** So what is the margin diversification, how much margins we are taking from the foreign countries and how much we are from the domestic market?
- Sharad Taparia:** The exact margin, but those are dependent on product to product and complexity, some products which are more complex and higher margins because difficult to do and difficult to manufacture and some which are more simpler I have a low margin.

- Sukhmal Jain:** But certainly the margins are higher in export but lower in domestic.
- Raman Gupta:** Thank you very much.
- Moderator:** Thank you. We take a next question from the line of Rajat Setiya from I thought PMS. Please go ahead.
- Rajat Setiya:** Thanks for the opportunity. Sir, with regards to the gross margin that we had in this year and if we look at over the last three, four years, our margins have ranged from gross margin I am talking about 47% to 55% if you can just help us understand how is the outlook from here on the gross margin?
- Sharad Taparia:** We expect the gross margin remain the same with this kind of product mix, going forward suppose we get a very high value, a bigger volume of product which has more raw material content then those margins can be less on that particular product, but generally we do not expect a major change in the margins.
- Rajat Setiya:** Okay, so last year we made 50% so you expect margin should be in that same range?
- Sharad Taparia:** 50% is the raw material cost, there is also manufacturing costs there, so the gross margin is not 50%.
- Rajat Setiya:** Actually I was just looking at sales minus raw material only?
- Sharad Taparia:** Raw material is roughly 50%.
- Rajat Setiya:** Okay, so you expect, it could be in the similar range.
- Sukhmal Jain:** Similar range maybe 1% or 2% here and there.
- Sharad Taparia:** Given our current product mix if it is a similar product mix similarly to be at the same level mostly.
- Rajat Setiya:** And last year I think not sure if we had there were one or two products which were seeing a decline in revenue, they were on decline in trend so do we still have those products in our portfolio which were in a structural decline or they are completely out of the portfolio now?
- Sharad Taparia:** No, there is still or a little bit of sale is going on for those products, that is our nature of business, each product will have an end of life, because these are all customized products. So in the coming years also we will have some products which will go out of business and some new products will come in that is the nature of this business.

- Moderator:** Thank you. We take a next question from the line of Vikram from Niveshaay. Please go ahead.
- Vikram:** My question is, what is the opportunity for smart meter like what revenue we can have in smart meter?
- Sharad Taparia:** Smart meter is growing well and the customers are giving us opportunities there with the new components of the products that they are developing, but it really depends on how fast they implement, how quickly the chip shortage situation is solved and it depends on that, overall the outlook is good.
- Vikram:** And what is value per smart meter like any value 300, 400?
- Sharad Taparia:** No, we are selling components for smart meter companies, smart meter manufacturers are our customers.
- Vikram:** How is the domestic demand?
- Sharad Taparia:** Domestic demand currently is good sir.
- Vikram:** And what is total opportunity size in smart meter like Indian government is targeting 25 Crores smart meter, so any broad number on total opportunity size?
- Sharad Taparia:** We do not have any particular number that is all published numbers of the government. Government is targeting to quickly install this smart meter, but there are challenges in terms of speed of installation and the utilities how far they can order and then our customers how far they can supply but government is pushing that.
- Moderator:** Thank you. We take next question from the line of Vinay Bagri from GD Bagri Securities. Please go ahead.
- Vinay Bagri:** Good afternoon. Thank you to Permanent Magnet team to create so much money for its shareholders. I had a question in connection with your Quadrant tie-up. Regarding the Quadrant tie up while I know it is only an MoU. Just wanted to understand what the structure will be that Permanent will be the holding company and these guys will be majority partners or will Quadrant be a majority partner has there been any discussion on that?
- Sharad Taparia:** Right now we are still on the discussion. We have not decided on anything, so I cannot comment anything on that. Just evaluating the feasibility of setting up the JV.

- Vinay Bagri:** Okay, but the JV will it be at a promoter level or will it be at a company level or will it be a combination?
- Sharad Taparia:** We are talking only about company level.
- Vinay Bagri:** Okay, great. I also wanted to understand whether Quadrant currently continues as a client of the company and in case there is a JV will that business move out of PML to the subsidiary or the JV company in a sense?
- Sharad Taparia:** Right now, they are not our customers, we are talking to them about this JV setup. We will set up a subsidiary company for this purpose and then talk about converting it to JV if needed.
- Moderator:** Thank you. We take a next question from the line of Vivek Gautam from GS Investment. Please go ahead.
- Vivek Gautam:** I have recently started tracking the company, so I have some questions. Basically this company used to be once owned by our Ex-Prime Minister Morarji Desai and his son Kanti Desai if I remember correctly, so that means a very old listed company and what have been the reasons since the market cap did not move since then for such an old company so what have been the recent trigger behind the improvement of the company performance and the sustainability of the same and so what is our motto and second question is about the opportunities side and the CAGR that we expect? Thank you.
- Sukhmal Jain:** The company was basically formed by Kantilal Morarji Desai in 1960s, and then Taparia family took over from them in 1965.
- Sharad Taparia:** The main change has been that earlier the company was focused on the product and now we are focused on the capability related to that product, so with that capability focus company can do many, many more products, many different areas, many different product lines that has been the main change and that is why you are seeing good growth and that is our plan to continue to increase our capability. CAGR I think I have answered earlier.
- Vivek Gautam:** Opportunity side if you can some highlight on that part also sir?
- Sharad Taparia:** Once we are increasing the capability, the opportunity, the market size we are targeting a much, much larger market which we cannot even estimate the size. We are a very small portion out of that. It is worldwide market, so I cannot give a number to the market size because we are not in a single product, we are having multiple product portfolios, all related to capabilities.
- Vivek Gautam:** Your concall was really good Sir. Please keep it on a regular basis.

- Moderator:** Thank you. We take a next question from the line of Rohit from ithubought PMS.Please go ahead.
- Rohit:** Most of the questions have been answered.Just a couple of questions.You talked about a lot of things going for us, so what are the key risks that you see from here on, what are the things that can derail or the things that are really going on for us if you can just maybe highlight that and my second question is you highlighted that you expect 20%, 25% growth even forthis year, so as we scale with that kind of growth you see possibility of margins going up from the current level due to operating leverage?
- Sharad Taparia:** The first question, the risk is mostly the global situation and global recessionary trends if that happens that is a riskthat we perceive other than that regular risk like forex, movements, these are the other issues. So naturally hedged position we have other than that we donot see any other risks.
- Rohit:** So even in that just to sort of follow up on that part, so mean we are in areas which are growing overall or even other segments like even segment that you are gaining wallet share so I mean even if the recession comes do you think that it will have a big impact on us. I am sure it will have an impact butin terms of structurally these things are very long-term trends for our company, sojust wanted to get a view from you.
- Sharad Taparia:** We do not expect any recession in the EV segment if at all it happens it may happen overall, but earlier recession we have experienced that customers delay their purchases, so they hold on and that is what impacts the company at that time, so that is always there.
- Rohit:** Sure and the second question on operating leverage?
- Sharad Taparia:** Margins we are expecting to remain the same with this kind of product mix. The whole idea of building the pipeline is to pick and choose projects which are having a reason ably good margin. I donot expect that it is going to increase or decrease very shortly, mostly my expectation is to remainat similar levels.
- Rohit:** Thank you very much and all the very best. Thanks.
- Moderator:** Thank you.Ladies and gentlemen that was the last question. I now hand the conference back over to Mr.Sharad Taparia for closing comments.Over to you Sir.
- Sharad Taparia:** Thank you all everyone for participating in the call and for your good wishes to the company.Your questions are very important to usand we strive to be as transparent as possible for our investors and we try to doour best or investor communications. If there are any unanswered questions,please do get in touch with our investor relations team and they

can take it forward. We hope to continue these call sever quarter or every half year depending on time frame. Thank you so much.

Sukhmal Jain: Thank you so much.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Permanent Magnets Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.