Operator: Good afternoon. This is the first day of Bharat Confs. I welcome you all to the call of Vilas Transcore Limited. Today, from management, we have Mr. Nileshkumar Patel, the Chairman and Managing Director of the company, and Ms. Natasha Nilesh Patel, the Non-Executive Director of the company, with us. Before I hand over the call to management, I will lay out the flow of the event. We will start with a brief introduction and opening remarks by management, and then move on to the Q&A round. Participants who would like to ask questions can raise their hands or put their questions into the chat box. If time permits, we will take questions from participants who were unable to join the call. Over to you, sir.

Nileshkumar Patel – CMD: Good afternoon, everyone. It is a pleasure to be here today.

Nileshkumar Patel – CMD: Good afternoon, everyone. It is a pleasure to be here today. I would like to thank Arihant Capital for giving us the opportunity to present Vilas Transcore Limited.

Vilas Transcore is a manufacturer of critical components used in power transformers and the power transmission and distribution industry. Our core business is CRGO transformer laminations, with an installed capacity of 36,000 metric tonnes per annum. Over the years, we have diversified our product portfolio and added nanocrystalline cores with a capacity of 40 metric tonnes per annum and radiators with a capacity of 7,200 metric tonnes per annum. We have also recently commissioned our copper conductor facility with a capacity of 1,500 to 1,800 metric tonnes per annum, further expanding our presence across the transformer component value chain.

With these expanding capabilities and a growing product portfolio, we are well positioned to cater to the evolving requirements of transformer manufacturers across domestic and international markets. With this brief overview, let me take you through our first-quarter FY25 performance and the key developments during the year.

We have delivered a strong performance, with net revenue up 18.2% year-on-year to 132.4 crores in the first quarter. Our core CRGO lamination business contributed 127.6 crores, with volume growing 41.2% year-on-year to 6,550 metric tonnes, supported by healthy demand and improving capacity utilization.

Our new businesses also continue to scale up. Nanocrystalline cores contributed 3.3 crores, while the radiator business, which commenced commercial operations in April 2024, contributed 1.2 crores. We are onboarding customers and expect a meaningful ramp-up in the radiator business from the second half of FY25 into FY26.

We also strengthened our long-term expansion blueprint through the strategic acquisition of land near our existing 3 facilities to support future manufacturing expansion and capacity building. Another important recent development is the commencement of our copper conductor facility ahead of schedule. This marks an important step in our product diversification strategy and further strengthens our presence across the transformer component value chain.

Overall, our focus remains on scaling our core CRGO business, ramping up our new product segments, and creating multiple growth opportunities across the transformer value chain. We believe our expanding product portfolio, manufacturing capabilities, and strong industry demand

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provide a solid foundation for the next phase of our growth.

With that, I would like to thank Arihant Capital and all the investors for their time and continued interest in Vilas Transcore. We would now be happy to take any questions you may have and discuss the business and our growth plans in greater detail.

Operator: Thank you very much, sir. We will now start our Q&A round. I would request participants who would like to ask questions to raise their hands or put their questions into the chat box. First, we will take questions from participants who have raised their hands and then move on to the chat box. If time permits, we will take questions from participants who were unable to join the call.

The first question is from Pratik Dugar. Please go ahead and ask your question, sir. I would request participants to limit their questions to 2, as we have many participants in the queue. Pratik sir, you are allowed to speak. Please go ahead.

Pratik Dugar: Hello?

Operator: Yes, sir.

Pratik Dugar: Yes. My question is regarding the price decline that we faced in CRGO last quarter. Could you explain the dynamics and the factors that were responsible for it? Since we have undertaken a 3x expansion for our CRGO business, do we see this price decline having an impact on the break-even economics for the new plant that we have set up?

Nileshkumar Patel – CMD: Basically, in CRGO, prices decline when ample material is available. In the first half, or the first quarter, of this financial year, there was also a price drop. However, from the second quarter onwards, prices have been stable.

As far as the decline is concerned, we were well positioned because, in the second half of the last financial year, we had some inventory that was at a higher price, and this did not affect us significantly in the first quarter.

We have undertaken the expansion, and the expansion is focused on quantity. We are ramping up our sales in terms of quantity. The price drop is not helping us in terms of the top line, but we are growing in terms of quantity, which helps us improve our margins in terms of per-kilogram conversion.

Pratik Dugar: Historically, what would have been the price range, and compared to that, where are we in the cycle for CRGO prices?

Nileshkumar Patel – CMD: The normal CRGO price over the last 7-8 years has ranged somewhere around 180 to 190 rupees, if you take the average. Right now, prices are running at an average of 200-205 rupees.

Pratik Dugar: Okay, sir. Thank you. That will be all.

Operator: Thank you very much. We will take our next question from Pratik Bhandari. Please go ahead and ask your question, sir. Pratik sir, you are allowed to speak. Please go ahead.

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Pratik Bhandari: Am I audible?

Operator: Yes, sir.

Pratik Bhandari: My first question is regarding the quantum of CRGO steel coils that we are currently importing from global mills. What is the price difference between those coils and coils sourced from Chinese mills?

Nileshkumar Patel – CMD: At present, we are buying approximately 50% from imports and 50% locally. The local share varies from 40% to 50%, while imports account for 50% to 60%. This is our current ratio.

The price difference is that when we buy from China, we get the material at a cheaper price. When we buy locally, the price is around 2% to 3% higher than the Chinese price.

Pratik Bhandari: Okay. I was asking about CRGO price realization. You mentioned that you are expanding your lamination capacity from 12,000 metric tonnes per annum to 36,000 metric tonnes per annum. That is roughly a 3x capacity expansion. Where do you see realizations stabilizing for CRGO, considering the current scenario?

Management {? Nileshkumar Patel ?}: If we look at the current trend, prices should stabilize somewhere around 205 rupees, which is the present pricing. It does not look like prices will decline from here because all the mills are indicating that they are getting good prices from Europe and America. Therefore, in India, they are not inclined to reduce prices.

Over the next 6 months to 1 year, we do not see any kind of decline in prices. The average price should be around 200 rupees, and it might vary somewhere between 195 and 210 rupees.

Pratik Bhandari: Okay, sir. And in terms—

Operator: Pratik sir, I would request you to please join the queue. We will take our next question from Mukesh Modi. Please go ahead and ask your question, sir. Mukesh sir, you are allowed to speak. Please go ahead.

Mukesh Modi: Hello. Can you hear me now?

Nileshkumar Patel – CMD: Yes, sir.

Mukesh Modi: Good morning, Nilesh. My question is regarding what you said in the last conference call: at around 210 rupees for CRGO, we would be making 30,000 tonnes, if I am not mistaken—12,000 tonnes plus 18,000 tonnes from the new facility.

Nileshkumar Patel – CMD: Whenever we talk about capacity, we talk in terms of quantity. Our installed capacity is now 36,000 metric tonnes. In the first quarter, we did around 6,500 metric tonnes. In this quarter, we anticipate that it will be close to the standard level.

This year, we have given a target of somewhere between 25,000 and 30,000 tonnes. We will finish between 25,000 and 30,000 tonnes in this financial year.

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Mukesh Modi: This year, correct. That would result in around 600 crores plus the additional contribution from radiators, nanocrystalline cores, and conductors. Overall, we would finish at around 800 crores?

Nileshkumar Patel – CMD: No, sir. If you count 25,000 to 30,000 tonnes, it varies from 500 to 600 crores. The radiator and nanocrystalline contributions together would be around 30 crores.

The copper plant has started recently, and many customer registrations, inspections, and approvals will come into the picture. In these 6 months, we will be able to do somewhere around 80 crores from the copper plant.

Therefore, if we reach 30,000 tonnes in CRGO, it will be 600 crores plus an additional 100 crores. If we finish 25,000 tonnes in CRGO, it will be 500 crores plus an additional 100 crores. This is how the projection will work.

Mukesh Modi: What about the margin, sir? You have reached around 10% to 11%. Will that be maintained?

Nileshkumar Patel – CMD: My overall guidance has always been that PAT will not be less than 7%. However, when we look at the entire portfolio and the product mix, the margin should be better. I am not able to state the exact percentage right now.

Mukesh Modi: When will our bushing facility start? I am referring to the one for which we are arranging technical support from Georgia.

Nileshkumar Patel – CMD: The point is that the bushing facility has not started at Vilas Transcore. We are conducting R&D at Vilas Transcore only. Once the product is developed, it will be from the Vilas Transcore platform. It is still under development and design.

Mukesh Modi: In the final phase, you are not yet specifying when it will start, but it will definitely happen in {? Vilaspur ?}.

Management: It will be in {? Vilaspur ?}, correct.

Mukesh Modi: Lastly, is the land you mentioned meant for the expansion of CRGO or for bushing?

Management: We acquired that land because it is very close to our present setup and we need to expand over the next 1 year. We have started the radiator business here and the copper unit here. We started the copper unit this year with a very limited capacity, and it has significant scope for expansion.

Once we receive all the approvals and complete the setup here, we will expand the copper unit into that particular facility. The land is large, so the bushing facility, which is under development in terms of expansion, can also be established on that land.

Mukesh Modi: Okay, sir. That is enough for me. If I have any further questions, I will rejoin the queue. Thank you very much, and all the best.

Management: Thank you.

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Operator: Thank you very much. We will take our next question from Deepak Poddar. Please go ahead and ask your question, sir. Deepak sir, you are allowed to speak. Please go ahead.

Deepak Poddar: Am I audible?

Operator: Yes, sir.

Deepak Poddar: Thank you very much.

Operator: Sorry to interrupt, but your voice is stuttering, sir.

Deepak Poddar: Am I audible now?

Operator: Yes, please go ahead.

Deepak Poddar: I was trying to understand the bushing side and OIP. Do we have any plans in that area? Could you provide a roadmap or explain what we are looking at in bushing?

Management: At present, we have not invested anything on the {? Vilas Transcore ?} side. As I said, it is a long process, so we will not comment on it at present. However, we are developing it at the transformer unit because we have all the testing facilities there.

Once it is developed, we will establish the facility at {? Vilas Transcore ?} and start operations there. It will take time, so at present I am not going to comment further on it.

Deepak Poddar: But are we looking at this sector?

Management: We are working on it and exploring options for technical collaboration with a few companies. We are also discussing some joint ventures, but everything is at a preliminary stage. Unless and until it is completed, I will not be able to comment on it in any manner.

Deepak Poddar: Understood. My next question is just a clarification. In the last part, were you referring to a 7% to 8% PAT margin?

Management: Yes.

Deepak Poddar: That is very helpful. That should be all from my side for now. Thank you.

Operator: Thank you very much. We will take our next question from Sid S. Please go ahead and ask your question, sir.

Sid S: I had a question. Now that we are receiving PGCIL approvals and moving to the higher voltage class, will we use a better CRGO grade? If so, do those grades give us better margins?

Management: It is not usually like that. However, when you use a better grade, the pricing is somewhat higher, so the top line improves. Accordingly, you can earn that kind of margin, but in percentage terms, the margin remains the same.

Sid S: Understood. Would transformers in these higher voltage classes require higher CRGO volumes?

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Management: It is not like that. CRGO volume depends on the capacity of the transformer, which is measured in MVA, not kV.

Sid S: Got it.

Management: When you talk about 220 kV and 400 kV class transformers, they are generally in the range of 315 MVA and above. A 220 kV transformer might be 160 MVA, in the 132–220 kV range. However, when you move to 400 kV, it usually comes in 315 MVA and above. Therefore, the weight increases from 80 tonnes to 180 tonnes.

Sid S: Got it. My last question is regarding the large number of players in the unorganized segment with whom we compete. Do we have any sourcing advantage when we source from China, such as minimum order quantities or better pricing, because of our higher capacity?

Management: Yes, there is always a difference between a small player buying material and a larger player buying material. There is always a price difference because mills do not sell to everyone at the same price.

Sid S: Is there some minimum order size that we have to meet, or do we simply receive a pricing discount because we have higher volumes?

Management: We have specific target terms. We allocate approximately 80% to bigger players and 20% to smaller players because mills do not operate in a way where you can go today and buy material from them. The consistency and opportunities of the buyer also matter.

This is also why we have to pay even 50% higher prices to Indian mills and buy the material. If we do not buy from them when Chinese material is available, then when China becomes unavailable, they do not provide us with material.

Sid S: Understood. Thank you very much. I will come back into the queue for further questions.

Operator: Thank you very much for the question, sir. We will take our next question from Zaid Irani. Please go ahead and ask your question, sir. Participants who would like to ask questions can raise their hands or put their questions into the chat box.

Zaid Irani – Blue Ocean Strategic Advisors: I am Zaid Irani from Blue Ocean Strategic Advisors. I have a question on governance. The company secretary, Gandhari Paliskar, resigned on July 10 after 2 years. Is there any reason for her resignation, and is a replacement being appointed?

Management: A replacement has been appointed, and she joined after 1 month. The previous company secretary had a baby and was not able to manage the work of coming to the office every day. As of now, she is still doing all the work from home, but she has resigned and we have appointed a new company secretary.

Zaid Irani – Blue Ocean Strategic Advisors: Thank you.

Operator: Thank you very much for the question, sir. We will take our next question from Paul Philip. Please go ahead and ask your question, sir.

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Paul Philip: Hello, am I audible?

Operator: Sorry to interrupt, sir, but there is an echo in your voice. If you can [inaudible].

Paul Philip: Can you hear me now?

Operator: There is still an echo, sir.

Paul Philip: Are there any chances of anti-dumping duties on CRGO coils?

Operator: Please write down the question so that I can address it to management because your voice is still not very clear.

Paul Philip: Are there any chances of anti-dumping duties on CRGO coils?

Management: I am not able to hear the question.

Operator: I am typing it out. The question is whether there are any chances of anti-dumping duties on CRGO coils.

Management: That case is ongoing, and all the foreign mills are representing against it. We will see what happens. Most probably, since only 25% of the total requirement is currently manufactured in India, there is a lower chance that it will happen.

Even if it happens, the price will go up. Pricing will increase, but raw material pricing will remain the same because, once anti-dumping duty is implemented, local mills will also increase their pricing. Chinese suppliers will lower their prices, and after adding the anti-dumping duty, they will remain competitive with the local mills.

Therefore, the price of CRGO will increase, but I think the working conditions will remain the same.

Operator: Thank you. Do you have any follow-up question, Paul Philip sir?

Paul Philip: No.

Operator: We will take our next question from Chayan Shah. Please go ahead and ask your question, sir.

Chayan Shah: Thank you very much, sir. What is the company's roadmap for obtaining registrations for 400 kV and 765 kV?

Management: We currently have registration for 220 kV. Our plant is fully equipped and can go up to 765 kV. However, PGCIL will provide 220 kV registration at present.

We have executed some 400 kV non-PGCIL jobs and have received 1 or 2 orders, which are currently under execution. Once 2-3 orders in the 400 kV class are executed, we will receive a certificate from the transformer manufacturer confirming that the 400 kV orders have been executed successfully.

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We will then apply to PGCIL for an upgrade of our registration. PGCIL will inspect the plant and complete the other requirements, after which they will enhance our registration to the 400 kV class. A similar process will apply for 765 kV. We are currently working through that process.

Chayan Shah: That is good to hear, sir. I have one more question. What EBITDA margin will the company earn for nanocrystalline cores?

Management: Nanocrystalline cores operate at around 20% to 22% to 23% EBITDA margin.

Chayan Shah: I believe copper conductors give around 5% to 6% EBITDA margin. Am I wrong?

Management: That is right.

Chayan Shah: Thank you very much.

Operator: Thank you very much for the question. We will take our next question from Kripa Desai. Please go ahead and ask your question.

Kripa Desai: Where will the 60 crore capex be spent this year?

Management: All that capex has already been spent. If you look at the March balance sheet, all the payments had been made because all our projects were under execution. Everything has now been executed, and that 60 crores has been spent on the same projects.

As planned earlier under the IPO, the capex was for 22,000 tonnes of transformer lamination capacity and radiators. In addition, we added copper. Over and above the IPO plan, there was an expansion of around 30 crores, and we took a loan of 15 crores from the bank.

Therefore, all the capex has been completed, and the projects are now under execution for final production.

Kripa Desai: Do you have any plans for new capex?

Management: At present, no. We will consider it once we settle all these products and reach their maximum capacity.

Kripa Desai: Can you tell me what kind of absolute profit we make per tonne of CRGO?

Management: That varies from grade to grade and from customer to customer, so I will not be able to comment on it.

Kripa Desai: Okay.

Operator: Thank you, Kripa ma'am. You can rejoin the queue if you have any further questions. We request participants to raise their hands or put their questions into the chat box. We will take our next question from Ganesh Nagarshekar. Please go ahead with your question, sir.

Ganesh Nagarshekar: My question is primarily about the industry structure. If we look broadly at the total CRGO market size in India, how large would it be? How much of it is currently catered to by the unorganized segment, and what share of that market would we have?

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My second question is about the economics. You have already given the approximate margins for nanocrystalline cores and copper conductors. It would also be helpful if you could share the corresponding margins for the radiator business.

Management: The radiator EBITDA margin is 15%.

The CRGO market size is around 4.5–5 lakh metric tonnes per annum. This year, we will cater to around 25,000–30,000 tonnes. If you calculate that, it is 8% to 9%, or even less than that—around 7%.

Regarding the organized and unorganized sectors, there is no exact published data, so I will not be able to give you a precise figure. However, around 60% to 65% is served by the organized sector, and 30% to 35% is served by the unorganized sector.

Ganesh Nagarshekar: Thank you, sir. That is helpful.

Operator: Thank you very much. We will take our next question from Mandit Dharamshi. Please go ahead and ask your question.

Mandit Dharamshi: Hello. Thank you for conducting the call. Last year, what was our mix for CRGO procurement between domestic sources and imports? If possible, could you share the trend for the last 2–3 years?

Management: You are asking about the last 2–3 years, correct?

Mandit Dharamshi: Yes.

Management: If you look at the year before last, imports were lower and procurement from India was higher because the BIS approval for Chinese mills was not open. Last year, the BIS approval for Chinese mills was open for 1 year, so around 70% was sourced from China and 30% from India. Before that, the mix was reversed.

Management: Thirty percent was imported and 70% was sourced from India. That 30% was imported from Germany, Russia, Poland, and other countries. Last year, when we imported 70%, around 10% to 20% of that was from Germany, Poland, and other mills.

This year, during the first half of the financial year, we imported around 30% from China before receiving the BIS approval, and then 60% from the Indian market. Now that the China BIS approval has been reopened, we have entered into some good contracts with Chinese mills. Therefore, in the next half, purchases from Chinese mills will be higher than purchases from the Indian market.

Mandit Dharamshi: Since you said that in the year before last we procured 70% domestically and were still able to achieve EBITDA margins of around 12% to 13%, is it fair to assume that a higher EBITDA margin is possible despite a higher domestic share?

Management: It depends. When imports are lower, fewer mills are available and there is a significant shortage of CRGO. When there is a shortage of CRGO, you have access to the {? mills ?} to obtain the quantity you need. If you are able to obtain a good quantity during a shortage in the market, you can always earn a good EBITDA margin.

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Mandit Dharamshi: Understood. Thank you very much. Best of luck.

Operator: Thank you very much. We will take our next question from Daksh Malhotra. Please go ahead and ask your question, sir.

Daksh Malhotra: Good afternoon, Nilesh. My first question is regarding the FY27 numbers. For CRGO, we had given the capacity as 36,000 metric tonnes and a target of approximately 30,000 metric tonnes.

For copper conductors, we had assumed that the plant would start in the second half with around 300 metric tonnes per month, amounting to approximately 1,800 metric tonnes at 100 rupees per kg. However, in today's discussion, we reduced the CRGO estimate to around 25,000–30,000 metric tonnes. For copper, the estimate was also reduced slightly. You said we should consider around 60–80 crores, plus radiators and nanocrystalline at around 20 crores.

This is for FY27. Are we being a little conservative or proceeding more slowly than we had previously assumed? Also, could you shed some light beyond FY27, into FY28 and FY29, considering our expansion activities?

Bushing is a very attractive area with very low competition, but we are only beginning to explore it and are trying to establish joint ventures, as you just explained. Apart from that, what are we doing for the future years? How do we see things shaping up over the next couple of years with the CTC plant fully operational and CRGO, particularly in relation to the BIS approval?

You said that with a price increase we would get a one-time inventory gain, which is fine. However, apart from that, if the BIS approval applies, how will it benefit us? Those are my questions. Thank you.

Nilesh: We have always said that we can reach 36,000 metric tonnes. In CRGO, reaching 36,000 metric tonnes is not a major task if you compromise on your profit margin. However, we always proceed slowly and steadily and maintain our profitability while increasing capacity.

We believe that whenever you increase capacity, if you move very quickly simply because you have made a commitment and go to the market only to increase capacity, you will have to compromise on margins.

We increased from 1,000 tonnes to 2,000 tonnes, and we are not going to compromise on our margin. We will increase from 2,000 tonnes to 2,500 metric tonnes without compromising the margin, and it will be a gradual process to reach 3,000 metric tonnes per month. The one point that remains constant is that we will not compromise on our EBITDA margin.

Regarding copper, the first point is that the 25,000–30,000 metric tonne figure was my commitment in {? change in China ?}, representing 40% growth in terms of value and quantity. We will reach 25,000–30,000 tonnes, and we would be happy if we reach 30,000 tonnes, but the basis is that we do not want to compromise on the margin. That is certain.

Second, we have 300 metric tonnes of copper capacity. At present, PICC and AICCC have not started, but we have started sales of PICC and AICCC copper conductors. For CTC conductors, the

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super-enameling plant is still under installation. Installation takes 3 months.

The CTC machine has started, but the super-enameling plant is also in the commissioning stage. At present, whenever a CTC order comes in, we have to buy super-enameling services or material from the market, which will not help us in terms of margin.

For the next 3 months, we are going to sell PICC and AICCC conductors. We have seen in the radiator business that even our existing customers, who place many radiator orders and have confidence in the radiator business in terms of quality, price, and all other aspects, follow a process when we enter a new product segment.

All these customers have their own protocol for inspecting our plant and giving us a trial order. Once we supply the trial order, they gradually increase their volumes. They will not switch over overnight. That is the first point.

The second point is that, in radiators and copper, all tenders and customers provide their approved vendor lists to the transformer manufacturer. When they participated in tenders 6 months or 3 months ago, we were not included, and our company had not been approved. Therefore, they could not include our name in the tenders.

Now, they have approved several vendor codes for our radiator facility. In the tenders they issue now, they are including our name in the supplier list. Once those tenders are published and orders are received, they will be able to give us bulk quantities.

At present, whatever we receive through customers is in the nature of orders where our name has not yet been approved. A similar process will apply to copper, which is why there will not be a jump to the maximum level in these 6 months. However, we are trying to reach the maximum number of customers whose orders do not require an approved vendor list. There are many customers for copper—

Operator: Thank you, Daksh. I am sorry to interrupt, but there is a queue of participants.

Daksh Malhotra: Thank you, sir. I wish you all the best.

Operator: We will take our next question from Vibhor Talreja. Please go ahead and ask your question, sir.

Vibhor Talreja: Am I audible?

Operator: Yes, sir, you are.

Vibhor Talreja: Thank you. My question is a continuation of the last part of the previous discussion. We understand FY27, but given that the copper plant is coming on stream midway through the year and the capacity is increasing sequentially from 12,000 to 36,000 tonnes, what growth estimates should we keep in mind for FY28?

Nilesh: If we continue with all these 4 products, we do not have—this year our growth should be around 40%. Thereafter, we are looking at 15% to 20% growth. Copper will definitely provide good value addition, but again, that will depend on approvals and other requirements.

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However, there will definitely be 15% to 20% growth from FY27 to FY28. We are certainly going to achieve 40% growth.

Vibhor Talreja: Noted with thanks. All the best.

Operator: Thank you very much. We will take our next question from Rushi Shukla. Please go ahead and ask your question, sir.

Rushi Shukla: Good afternoon, team. I wanted to add to the last question. You mentioned that you are targeting 40% growth for the current year. Considering our capacity and the 25,000-30,000 tonne guidance, we would easily achieve around 80%-90% growth, considering 460 crores of revenue from CRGO alone. I am not able to understand how this adds up.

Nilesh: Ninety percent growth comes to around 460 crores based on last year's turnover. If I calculate 80%, it comes to an addition of 360 or 380 crores, correct? Therefore, 460 crores plus 380 crores comes to 840 crores. That does not make sense.

When we refer to 25,000-30,000 metric tonnes of capacity, it comes to 500-600 crores. Adding 100 crores from the other products would result in around 500 crores plus 100 crores. That would come to around 520 crores plus 160 crores, or {? 680 crores ?}, which represents around 40% to 50% growth.

Growth of 80% to 90% would occur when your turnover reaches around 850 crores.

Rushi Shukla: Right, sir.

Operator: Thank you very much. We will take our next question from Netik Mohata. Please go ahead and ask your question, sir.

Netik Mohata: Thank you for the opportunity, sir. Good afternoon. My first question is regarding the copper conductor segment. What is the total amount we have spent to build this capacity, what products are we going to manufacture currently, and are we developing new products going forward?

Nilesh: We invested around 20-25 crores in this copper facility. At present, we are going to manufacture PICC, AICCC, and CTC conductors.

In the future, we will add copper flats, busbars, and several other products that can be produced through press testing with busbars and copper. However, that will be part of the next expansion phase, which we plan to undertake after 1 year.

At present, we do not want to undertake any further expansion until we have taken these 3-4 products to their maximum level. By the end of this financial year, we will have a clear understanding of the position, and then we can add copper-related products. There is a vast field of copper-related products.

We have the space, but it requires investment. We do not want to start 4 segments simultaneously, which could affect our balance sheet and other aspects. Once these 4 products are settled, we will add a fifth product and expand.

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Netik Mohata: Regarding the 30-35 crore capacity build-up for conductors, what kind of peak revenue can this segment generate?

Nilesh: When you refer to 300 tonnes of all these products, it can generate—depending on the copper price—around 370 to 400 crores of turnover.

Netik Mohata: Is this achievable in FY28? In the second half of this year, we would receive all the customer approvals and other approvals for these products. Could the entire amount then be achieved in FY28?

Nilesh: Most probably, copper can achieve that. 400 tonnes is not a significant quantity; 300-300 tonnes is not a significant quantity in copper.

Netik Mohata: Fair. Would the margins here be 3% to 4%?

Nilesh: The EBITDA margin would be around 7%. The net margin will increase as we reach a higher level and have more captive content.

Netik Mohata: Great. My second question is regarding the availability of CRGO. The BIS certifications issued to Chinese factories last year were valid for 1 year and may now be up for renewal. Could you provide some insight into what is happening in that area?

Nilesh: Those certifications have already been renewed for the next 2 years.

Netik Mohata: So we do not expect any disruption in supply from there?

Nilesh: No.

Netik Mohata: Thank you, Nilesh.

Nilesh: Thank you.

Operator: Thank you, Naitik sir. I would request participants to limit their questions to 2. Participants whose questions have been answered are requested to lower their hands. We will take our next question from Sid S. Please go ahead and ask your question, sir.

Sid S: I have a question regarding the JSW-JFE joint venture. They are significantly expanding CRGO capacity. Is there any risk that they will establish lamination capacity and compete with us?

Nilesh: At present, they do not have any such plan. We do not know about the future, but it is a very fragmented market and it is difficult to cater to all the markets, even if you are producing a large amount of steel.

They are also producing other types of steel. They do not manufacture any of the products themselves; they always operate through dealers and a distribution network. Therefore, I do not know whether they will pursue this kind of value addition in CRGO.

Even if they establish such a facility, it would open the market for all the other mills, including Chinese mills, because it cannot become a monopolistic business.

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Sid S: I know you mentioned that the unorganized segment is 30% to 35%. What do you consider unorganized? Is it someone who procures scrap CRGO and caters only to low-power requirements?

Nilesh: Questions about the organized and unorganized sectors always come up in these conferences and in the market. By unorganized, we mean small players who do not buy directly from the mills.

They buy scrap or leftover material. For example, if we process 2,000 metric tonnes of CRGO, we generate some scrap, which we sell to lower-level manufacturers. These manufacturers perform manual work and similar activities. We either sell the material to them or send it to them for job work and receive it back before supplying it to customers.

These are the types of sectors and people who have 1 or 2 machines in their manufacturing plants but do not have proper facilities. They cater to transformer manufacturers that produce 10, 20, or 50 transformers per month—small players. There are many small transformer manufacturers, and these unorganized players cater to them.

They do not cater to high-quality customers. That is how we classify the sectors. Otherwise, there is no standard definition of organized and unorganized. However, when we calculate the organized sector, {? Kamak ?} and lamination are counted in the unorganized sector.

Sid S: Got it. Thank you.

Operator: Thank you. We will take our next question from Chirag Shah. Please go ahead and ask your question, sir. Chirag sir, you are allowed to speak. Please go ahead.

Chirag Shah: My question was also about the unorganized segment. However, I have one additional question. When you said that you were able to switch between Chinese and Indian suppliers depending on whether BIS approval was available, it implied that industry supply is not a constraint when required.

This appears to contradict your comment that only 25% of the market is produced in India and the balance is sourced from outside India. When BIS certification is unavailable for Chinese players, there should be a supply challenge, correct? However, you indicated that you were able to manage it. What was the industry phenomenon, or were you able to manage it while others were not?

Nilesh: Chinese mills are currently supplying 1 lakh metric tonnes per day. If a Chinese mill is closed, there is a shortage of 1 lakh metric tonnes, which indirectly creates a shortage of 1 lakh metric tonnes of cheaper material in India.

When the market price rises, there is a shortage of material in bits and pieces, and India has, say, a 30% to 40% share of Chinese material. The market price rises. In terms of quantity, we may be only 10% to 15% lower, but our top line increases, our bottom line increases, and we are able to obtain the balance 20%, 25%, or 30% of the material from local suppliers such as {? JTK ?} and others.

We help these suppliers when they are unable to sell the material. We give them good orders and other business. This all operates on the basis of supplier-customer relationships. It gives us flexibility of 15% to 20% in terms of material sourcing.

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That is why, if you look at our order book, the ratio remains at 50%, plus or minus 20%. We always have the flexibility to source 20% more or less.

Chirag Shah: Okay, thank you.

Operator: Thank you very much. We will take our next question, and the last question, from Mukesh Modi. Please go ahead and ask your question, sir.

Mukesh Modi: Thank you, Nilesh, for the opportunity again. You said that we would produce around 25,000–30,000 tonnes this year. Correct me if I am wrong: next year, do we still have scope to grow by another 40%? We will be at 42, and if we produce 25,000–27,000 tonnes this year, only 17,000 tonnes will remain. Am I right?

Nilesh: Yes, absolutely. If we are able to produce 25,000 metric tonnes this year, we will still have the opportunity to grow by 40% next year on the balance 10,000 metric tonnes.

The 36,000 tonnes represents installed capacity, so we have to stretch to the maximum level to reach 36,000 metric tonnes. We will definitely try to do that.

Mukesh Modi: You also said that at optimum capacity, copper would generate around 400 crores. What about radiators and nanocrystalline cores? How much maximum revenue can we generate at optimum capacity utilization with the existing capacity?

Nilesh: Nanocrystalline has a maximum capacity of 20 metric tonnes per annum, which comes to 40—metric tonnes per annum. At present, our installed machinery capacity is larger. The machinery we have installed is for 20 metric tonnes per month. We have reached around 30–40 metric tonnes per month.

At peak capacity, it generates revenue of around 40 crores.

The radiator capacity is 620 metric tonnes per month. We are currently doing around 50–60 metric tonnes per month. From next year, all these backup activities and tank parts will be completed this year, and next year we will definitely have good scope in radiators.

Nanocrystalline will have 20% to 30% growth, but radiators have a good growth opportunity next year. Copper and CRGO also have growth potential. If we produce 30,000 tonnes of CRGO this year, we may have 20% growth next year. If we produce 25,000 tonnes this year, we may have 40% growth next year.

This capacity will remain available for the next 2 years. Next year, if the transformer business continues to grow, there will be a good opportunity for the group.

Mukesh Modi: Thank you very much. Thank you again, and all the best.

Operator: Thank you very much, sir. We will now take the last question from the Q&A chat box. The question is from Priyank Kothari.

He wants to understand the current price of CRGO, whether it has bottomed out, and whether we expect it to rise. What factors could cause the CRGO price to rise? With the new capacity, are we

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entering into long-term contracts or continuing with the spot-market model?

Nilesh: The CRGO price is currently around 200-210 rupees. CRGO is such a material that you cannot say whether this is the bottom or whether the price will not increase.

However, if you look at the current pricing trend quoted by the mills, none of the mills is in a hurry to sell the material, and none of the mills is giving us the quantity we want. At present, demand is good and the overseas market is also good. Therefore, we do not see any decline in the market over the next 6 months. This position should be maintained.

As far as our customer arrangements are concerned, we have 2 customers with whom we enter into quarterly contracts. These contracts cover 50% to 60% of our sales. We conduct the remaining 40% of sales on the spot market. This is how we have been operating for the last 2 years.

Operator: Thank you very much, sir. That was our last question. Due to time constraints, we will have to close the call. On behalf of Arihant Capital, I would like to thank management for taking the time to share insights about the company. If participants have any further doubts or questions, they can get in touch with the team at Arihant Capital or with the Vilas Transcore management team. Over to you, sir. Thank you very much, sir. Do you have any closing remarks?

Nilesh: I would like to thank all the investors and participants for their intelligent questions. I hope I have answered all their queries satisfactorily. Good night, everyone.

Operator: Mukesh sir, did you have any question?

Mukesh Modi: No, I am done. Thank you very much, sir.

Operator: Thank you very much, sir. Goodbye.

Nilesh: Thank you, sir.

Operator: Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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