June 03, 2022

To,
The Listing Compliance Department,
National Stock Exchange of India Limited,
'Exchange Plazza',C-1,Block G,
Bandra kurla complex (BKC),
Bandra (East), Mumbai-400 051,
Maharashtra, India

Symbol: MACPOWER
Series:EQ
ISIN: INE155Z01011

Subject: **Submission of Conference call transcript**.

Dear sir/ Madam,

The Company had organized a conference call for the Investors on Tuesday, May 31, 2022 at 4:00 P.M to discuss the financial results for the quarter and year ended on March 31, 2022.

The transcript of the said conference call held with the Investors is enclosed herewith. The Company shall also disseminate the above information on the website of the Company- www.macpowercnc.com.

Request you to kindly take note of the same.

Thanking you

Yours Faithfully
For and on behalf of
MACPOWER CNC MACHINES LIMITED

Sd/-
Kishor Kikani
Company Secretary

Encl: a/a

MACPOWER CNC MACHINES LIMITED

CIN: L30009GJ2003PLC043419

Q4 & FY22

POST RESULT CONFERENCE CALL

Management Team

Rupesh Mehta - Chairman/Managing Director
Rajnikant Raja - Chief Financial Officer

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Good evening, ladies and gentlemen. I welcome you all to the Macpower CNC Machines Limited Post Result Conference Call for Q4 and Financial Year 2022. Today we have with us Mr. Rupesh Mehta, Chairman & Managing Director of Macpower CNC Machines.

As a disclaimer I would like to inform to all of you that this call may contain forward looking statements which exemplifies our judgment and further expectations concerning the developments in our business. These forward-looking statements involve risk and uncertainties that may cause actual development and results to differ materially from our expectations. Also please remember that this call is being recorded.

I will now hand over the call to Mr. Rupesh Mehta to quickly brief you all on the performance for this year and his plans going forward post which we will open up the floor for Q&A. Rupeshji I would request you to speak about how was the year for the company, to give us an update about it and an update about your plans going forward.

Rupesh Mehta: Yeah. First of all, thank you very much for joining with us and thank you very much Vinayji. Here's good news that we crossed all the barriers. Right now, this year Macpower has reported the highest quarter, fourth quarter which is Rs. 55 crore plus as well as the total annual was Rs. 190 crores which we achieved which was the highest in Macpower's history and if we talk about the number of machines, so almost more than 1046 machines we have developed. Even in the COVID period, we suffered in April-May months in the third wave . But still we managed to build up very good numbers with revenue and number of machines.

So, Vinayji I would like to request you to give an overall presentation about the fourth quarter and explain it detail wise then we'll start question and answer.

Vinay Pandit: Sure, sure. I'll quickly run through the key slides of the presentation for this quarter. So, are you able to see the screen?

Vinay Pandit: Okay. Right. So, I'll quickly take them through the main slide which is slide number five of the presentation. So, as Rupeshji updated, this year has been our highest ever machine sales, 1046 machines is what we have sold in this year. This is as what we have been telling in the past versus our capacity of between 1000 to 1100 machines. We are now expanding our capacity to nearly 1300 to 1500 machines. This has led to strong revenue, EBITDA and PAT growth of 69% on revenue, 127% on EBITDA, and 113% on PAT respectively for the financial year 2022.

Further as we have also been indicating, we have continuously been growing our order book in spite of strong revenue execution. This has led to our order book as of 31st March, the unexecuted order book to grow to Rs. 146.8 crores, which at the beginning of the year was Rs. 112 crores. Based on our performance, along with the interim dividend that we gave in the middle of the year and the final dividend recommended so total dividend to be paid out 15% of the face value which is 1.5 per share which equates to 12% dividend payout.

The NEXA vertical which we have started for premium products has seen very good response during the year. This has led to us executing almost 214 machines under this NEXA vertical and we currently have 193 machine orders sitting in our unexecuted order book. The NEXA vertical is two pronged, one is to increase our offerings in premium products and second is to work on import substitution. You've seen the financial table performance so as you can see we've grown on all the fronts whether it is revenue, EBITDA or PAT. Our order book - this is the breakup of our order book so as of today, we have got 810 machines in hand, out of which there are 304 machines that we've received from private sector. We've executed 285 machines during the quarter in the private sector. We received one machine order from the government sector and we delivered six machines. So this totals to the Rs. 147 crore order book that you're seeing. Over and above that we have submitted bids and tenders for almost 2240 machines in the domestic business and 293 machines in the tender business. So we have nearly bids for nearly 2500 machines worth submitted totaling to Rs. 430 crore in our order book. Over and above this, we also sold 7 lakh N-95 masks during the quarter.

If I was to break up the order book with respect to the NEXA vertical and the breakup of the machines that we've executed during the quarter, the break up primarily comprises of 592 turning center machines, 190 VMCs, one HMC and two VTLs. These (latter) three are a part of the NEXA vertical that we keep talking about. This is the quick brief of the financial statement and how we have performed over the years. We're happy to share that in terms of Revenue CAGR we've delivered 22.5% CAGR over the last five years, in terms of

EBITDA we've grown at 69% CAGR and in terms of net profit we've grown at 75% CAGR.

The company continues to be debt free and we've been generating significant cash in our business. Our way forward, we've earmarked six areas that we want to look at which will allow us to grow at 20% to 25% CAGR over the next three years. When I say 20% to 25% CAGR, we are considering base year as FY'22. One of them is plant expansion, so we are in the process of setting up an adjoining unit just next to the existing plant to increase the production capacity of some of the parts that are used in making the CNC machines. Further we have been talking about increasing our capacity by 25%. We are hoping that by June or July this capacity expansion will be done and we are aiming to reach anywhere between 1300 to 1500 machine capacity per annum in the current financial year. Import replacement and our NEXA vertical are together working hand in hand to grow our order book, to work for import replacement as well as to increase the share of our premium products. The other step that you will notice for the first time we've started looking at now is the international markets.

So, we've started working towards establishing our footprint in overseas markets to ensure that we can create a brand for Macpower in international markets as well. I'm sure, you'll have a lot of questions during the conference call on this. We'll be happy to address these queries. Some of the government initiatives which are driving our business is primarily domestic manufacturers getting preference in government tenders up to tender values of Rs. 200 crores. The PLI scheme and the input substitution drive will drive up the demand ultimately for CNC machine and Industry 4.0 which is driving automation and growth in the engineering and automation business.

What is our competitive advantage? So six areas which we believe we stand out versus competition. We are the lowest cost producer amongst all our competitors which helps us deliver the highest EBITDA and PAT margins in the industry. We have zero debt on the books, in fact, we've net debt negative. We generate significant free cash flow. And we've been doing this since FY'18. Our return ratios are amongst the best in the industry. Our ROE is above 24% our ROCE continues to be above 30%. Our asset turnover which is at 3X can easily go up to 5X in our enhanced capacity which itself is amongst the highest in its peers. Promotor holdings stands at 73% which is also pretty high compared to a lot of our peers. In terms of range of products, we have the widest range of products across nine product categories, 27 variants and 60 plus different model.

On the ESG front, we've been taking several efforts, details of this are elaborated on slide number 14. I'll quickly come to the industry profile and a bit about our network. We currently have four branch offices in India, with two tech centers, 107 sales and service engineers and we are working closely with nine business associates or partners. This is a bit about where our infrastructure is. You can see our head office, our corporate office, our manufacturing plant. All of this shown over here (in the presentation) . This is how our business is currently divided in terms of an organogram. So, this will give you a clear idea about the people who are a part of each and every business division and how is the reporting structure and the organization structure.

Quick business overview, we're currently servicing 27 industry segments with 60 plus models, 1000 plus applications and we have more than 8000 installations till date. These are some of our clients across sectors as you can see we're currently servicing clients and auto-ancillary, defense and aerospace, engineering capital goods, government PSU education sector, Die mould sector and the agricultural sector. And these are just indicative of a few clients as you can see their several clients that we have in each and every sector.

These are some of our key products, just to give you an idea. The turning center, the vertical machining center, the HMC, the twin spindle VMC, the twin spindle turning vertical latheand the drill tapcenter. A bit about the industry as you can see over here, Rupeshji would you like to talk about this a bit and explain where are we sitting exactly in this industry?

Rupesh Mehta

Yeah. Exactly, we are in there is Machine Tools is a big subject, as I discussed in previous meeting about why there are -- like, when we talk about auto sector, machine tools are there. So in that, there are two major segments are there, metal cutting and metal forming. So, the metal cutting part that is more than 80% and metal forming, like, the bonnet of the car it's made up of sheet metal, so the process of bending it and cutting it, laser cutting so this is also another different segment. So, mainly we are in metal cutting business.

So, in metal cutting part, the most useful product is number wise, for example, for two wheelers is there, just like that there are turning machines there. Then VMC is there. Then HMC is there. So overall, the turning machines are in demand in the market. But from the time we have done the improvement in the NEXA group and the product after this expansion, the new series of 2020, and now we have 2022's new models VMC which is the vertical machining center of the IRM machines, that one we have redesigned it and we have launched it today itself and we have done additions in the features looking at the competition.

The CNC machines which we call as metal cutting, in that overall, the production ranges between 27,000-28,000 in the last financial year. So, still we have a lot of places, if we look at the order book, the large part of it is still pending. So, the challenging factor for us is, we maintain 14000 component monthly inventory. We have lots of variants, lots of models. Average per machine, 850 components are used, among which import is also there, [indiscernible] [0:13:17] is also there, and maximum we do it in-house only. So, for the future expansion plans, we are increasing the assembly capacity. Our assembly time for us is a lot negligible. We don't get that much time.

So, mainly the components which are there, its availability is there. And one survey which was there which had a supply chains issue globally, so in that India had 20% production loss. If the component would have been delivered on time to India, then India could have made 30,000 machines also. But in that challenge, Macpower didn't faced such a problem because the import containers of the components used to take a lot of time to reach. So, we have a lot of inventory of import components and we have that much advantage.

So, if we do a survey based on the material, there is a less production loss. And the top five players in India, amongst them Macpower is on fifth position and according to us the top six companies is almost into the metal cutting segment which does a 90% production. So, there is an entry barrier also there, and it's not that easy to do the production. So, a lot of engineering and experience is needed and the customer acceptance is also there, and the valuable capital goods is also there. So, the entry level produces between 13-14 lakhs to 1.5 crore machines. And for that skilled manpower is needed, skilled experience is also needed.

So, there are a very few people who have these skill sets. So whatever growth is needed, these six companies needs to do these things. And everybody is trying to match the demand. According to the demand, India's production is still less. So, the production, productivity, quality, supply chain management and little infrastructure work is done by almost all the companies. But if we take an example of like, one of the competitors, topline which is a Rs. 2000 crore, first number company, and the rest is all 1000 and below. And we have reached up to 190 only.

So, there is plenty of room because whatever product they have it's a neck-to-neck product basket. Whatever infrastructure they have, distribution network is there, sales and services is there which is in the city, and we are covering about 30 plus cities in India in sales and services where 120 people work in India in rest of the branches. So, the components, the difficulties in increasing the production of 10-12 components can arise so for that we have made a different special team which we have named as new product NPT Group. So in this NPT, whatever things like backward integration can happen and all, the in-house which we have made will help us to save time of supply chains, quality, and logistics. So, we're working on that too.

We're working on infrastructure too. So, there are plenty of rooms for Macpower. And the government schemes such as Pradhan Mantri Yojana is there in which you get a subsidy, and address subsidy is there, 15% to 35% subsidy is there, and the tendering business in aeronautic and defense which has fall in line now is also increasing. So, looking in the years ahead, we're looking Macpower as a competitor amongst the five other competitors. And along with that, all the rest companies have huge debt with less margins so, we will also try to take gradual growth whilst maintaining our margins.

So Vinayji we can start the questions now.

Question-and-Answer Session

Vinay Pandit: Sure, sure Rupeshji. Anyone who wishes to ask question may use the option of raise hand. In case the option is not available on your screen, we would request you to unmute and ask the question. Now could we take the first question from Puneet Chawla? Puneet, you can go ahead.

Puneet Chawla Yeah, thank you sir for giving me that opportunity and congratulations for wonderful results also.

Rupesh Mehta Thank you very much Puneet.

Puneet Chawla Yeah. So, I have two three questions. The first question is what is our domestic versus export percentage and how we're trying to capture more domestic aggressive?

Rupesh Mehta So, first question regarding export, so in this part India has not focused on it because of domestic demand. Now according to my knowledge less than 2% 1% is being exported by India, because import is still high. We are producing 45% to 50% only. And the rest is still import. But it’s not in this segment. Turning machines, vertical machining center, it’s not in this segment. But there are some products which India is still struggling to produce. So to import those products and to talk about the total basket it’s quite high.

In export, there are plenty of opportunities but the countries which are producing for example, in India there are six players Puneetji, that six people does 90% of the production so, similarly if we look worldwide, Japan, Germany, Taiwan, Korea these four and Italy little bit, and India. So, only about five to six countries have these machine tools and the rest countries like Vietnam, Pakistan, Thailand is there these countries are developed countries and undeveloped countries. Even U.S. also UK also, they also export machines from these five countries itself.

So it’s tough to do the production and the demand is more from all countries, even if it is a small country, they have railways so for railway engines, they have automobile so for automobile, they have agriculture so for agriculture, they have power sector so for power sector, they have weapons so for weapons, even the smallest country also want a CNC machine. But, all these countries which doesn’t produce these machines, they import the materials of machines from these five countries, among which India hasn’t focused on this yet.

So we attended one summit of Indian Machine Tools in Goa last time, regarding the machine products, an agenda was made that each and every company should slowly start focusing on export needs now that even if any domestic problem arises so at that time, we will have something and India has a big open market for export segment. So, still we haven’t yet focused on the export segment. In the past we had U.S., Germany, UK but there was no effort from us in this like getting the reference through website or reference we were getting customers. But now, the organizations which are doing the restructuring and the work which we are doing with few agencies like KPMG, we are restructuring the organization in which we are developing an export division like NEXA is there, which will have the realization till next financial year.

Puneet Chawla Okay. So basically, what I understand is most of the market is domestic for you right now.

Rupesh Mehta Yeah.

Puneet Chawla Okay. Other thing is, are we having any plans of moving to 3D printing machines in the future? So, you are into metal cutting right now and 3D printing is the future coming up. So, what are your plans for that?

Rupesh Mehta For the 3D printing it's too early, it needs an investment about Rs. 1 crore to Rs. 1.5 crores in the machines because the rest of the two companies in India had developed 3D printing and have put it in exhibition. But still they haven't got any sales. So, to produce the machine tools is not that difficult for us because from the consultations to the design to the product's technical know-hows' tie ups and all these things are available easily. But right now the market is not still there, so we're thinking of not investing in that yet. But in future, if there is demand then it wouldn't be a very big task for us.

Puneet Chawla Okay. So, it is because of unmatured market you are not willing to go in that sector. Okay. So, third question is how much aggressively can be– what is the limiting us. One thing you have told us that components are the limiting factor right now. So, what could be other challenges apart from the components so because components could be taken over within three or six months that supply could be normal. So, what can stop us further for going from 1300 to 2,000 machines?

Rupesh Mehta For that there are two things, first is order books which we have that is also not that big, because the orders we get is with advance with certain amount. But after getting 100% payment then only the machines are delivered to them. So, the people who have capital goods, they don't take machines except on loans, almost 95% people take loans from banks or NBFC because they get some benefit of it like subsidy and interest subsidy.

So in that process, to get a ratio of 100% dispatch we need 200% order book, so orders need to be increased aggressively, that's number one. Because if you have order but if there is no payment, you can't give machines on credit right.

So, that finance issue from the banks or documents so for such things, whatever the orders are there that much production will be there and that much billing will be there, so that is not possible, so we need to increase more orders. And some components in these, the dependency from the vendors should be decreased.

For example, like the foundry, 400 tonnes consumption has been done, so almost it's a very big consumption so in future for 700 tonnes, 800 tonnes we'll need one foundry also. And there is a component called turret also, there is one ATC also, so such components are there and the NPT Group which we have created we discuss in it about production of these components in-house, and all this create an organization by recruiting their experienced people and we have started working in that area also.

So, it will be a challenge on both the sides that we will have to increase the number of orders of machines because for 1000 orders 1,000 billing is not possible because their loan is going on, their process is going on, margin money is not available so all these things are there.

So to increase the order as well as the production, so to increase the order we are doing the restructuring. Now we have recruited one of the India's top company's senior Vice President and in the verticals we have NEXA, so we have appointed in that segment. And now we're going to have a head for the turning segment also, we'll have a head for export segment also, we'll have a head for after market segment also.

So, in this top line, there are two three persons in India in our HO, and the rest activities are going on regional level, so to change that we have tied up with a consultancy agency and we're creating a restructuring organization in which there will be eight to nine top level executives in it, and below that there will be a zonal head, and below that there will be a regional head. See, the product acceptance is good in the market. The only issue of the distributions and reach is there, so we're going to increase it through these peoples. So, we're working on both sides and the third segment like, export market is there, Indian machines are very cheap and are very reliable also.

Even the Ace designer number one company, in their meeting which we do, last year they exported 450 machines in China. So, they have developed local distributions, local teams, local software there, so our machines are reliable and are cheap also rather than China. Even we can export to China also. So this is an open opportunity which can be gradually encased and we are working on that front also.

Puneet Chawla Okay, thank you. I will come back in line.

Moderator: We'll take the next question from Rohit. Rohit you can unmute and ask.

Rohit: Thank you, Vinay. Thank you, sir for the detailed presentation and comments. Sir my first question is on the steel prices I mean if I see from last 3-4 years realization has been stable, despite steel prices having increased a lot. And despite having sold a lot of higher value-added machines through NEXA.

So, why the selling prices has not impacted due to high steel price? I thought that our selling price ideally should inch up by Rs. 20 lakh-Rs. 21 lakh. And any thoughts on present situation and the future situation as you mentioned growth will be 25% in the next three years, hope expectation likewise, how much realization growth do you expect?

Rupesh Mehta Yeah. Rohitji one thing is that the pending orders which are left, there is a condition there which is from now onwards we can take more price while delivery. So, whichever price order we have taken, there is no validity on that. If you take a delivery in the same month after placing an order, it's not possible for any of customer to place it in the same month, about 15% to 20% customers get their bill in the same month, and the rest comes overdue in the next month after month till five six months it goes in the pending orders.

So, different prices are given to them. And everyone knows the price of raw material has been increased, so wherever we got the opportunity we got the price even after the different price of the order, along with the new purchase order. The second thing is that, if you look at the inventory, it keeps on pending status. Minimum three to four month's inventory we get. Now there is support from the supplier also, because we work with them as a partner.

Let me tell you one thing, there is a hydraulic company in Bangalore, named [Ucane] [0:28:09] which develops hydraulics and the power pack which we get, they develop that. So from past seven years, they haven't given us a price hike. We have done three meetings with them, and right now we have told them to wait for a month or so, we'll talk after April-May month. So, we have got enough supplier's supports because a lot of suppliers are dependent with us and they also have that much inventory and their suppliers also give them support.

So, we didn't had that much impact. And whatever impact we had faced that was due to the currency. So, all these things we have taken it from our suppliers. And the second impact could have been will be of 1% or 2% of material but whatever in-house capacity we have built up in last year from our previous vendor, we have done it in-house.

So, the profit which we got from it, like, our material consumption was 70% came down to 68%. But if we had balanced that, there also we got a balance thing there too that we developed an in-house component so now we published two price lists. One was four months ago and today we have given out new price because the competitors have also increased their prices.

So, that impact has been there. But whatever the profit could have been there of our in-house capacity that is not reflected in this. Now, we're increasing our price and raw material's price is coming down so that impact you can see in this balance sheet.

Rohit: Okay, thank you. You always give a detailed answer and thank you for that. So, my last question was based on the last part that if I look at this year's gross margin or material cost as percentage of sales, so despite of us doing NEXA products and – margin products and despite they'll being higher, our material cost as a percentage of sales has increased from 67% in 2019 and '20 to 69% and now 70%. Still why we can't get benefits of scale and higher value-added products? Ideally there should be a high gross margin in NEXA right?

Rupesh Mehta It's not in there. It's not there because we did one model which is Eco800, which had 60% of business, total VMC segment. So compared to competitors we have given off of 5% to 7% on price, to promote it. Number of machines in the market will be there, capital goods are there which are mouth-to-mouth publicity. Customer will be satisfied. So, we have aggressively given these numbers, because people knew Macpower in turning and not on VMC.

So, for VMC we did it. So, we had this India's lowest price range that we had to do a lot of numbers on that product, but right now we have redesigned those machines and we're launching it today a full new series so in that we're going to take a good price than the competitors because we have put some features in it and our acceptance has also increased.

So, one reason was that the NEXA product's margin will be calculated as the normal turning product and to pass on for the numbers. And the second thing is, if you look at the expenses, the employees are increasing because the speed of employee growth consist of preoperating preliminary expenses are there. Because after recruiting any one person, after five to six months only he can be useful so at the start of the year, in the first quarter there were 500 people.

Now in today's date, there are 590 people. And still the recruitment is pending of 90 people, for which interviewing is going on and training is also going on. So, when we'll grow this the operating cost will also increase because immediately that employee isn't that useful. Their skill needs to be developed first, and penetration skills are that in VMC products we didn't take that much margin. So, people will think that IS features are being provided, for example, any company doesn't give the roller guidance in the VMC standards and they take optional money for that. We have provided those features to them in standard itself. And also, the telescopic cover is there. MS gives the zinc coated cover.

But we have given them SS coating so that in future also it won't be rusted. So, these technical features we have standardized them in the machines and also have kept low cost so that the people would accept us as a VMC company. But right now, the acceptance is good, so in new price rates we have added more features and also the prices are at realization levels.

Rohit: Okay thank you. It was helpful. Last two questions and then I'll go back into the queue. Generally, in the rest industry we heard about the attrition. Do we have attrition issue in our industry too, was the first question and yeah, could you share some light on this and then I will ask the last one.

Rupesh Mehta I didn't get the question.

Rohit: So, in general in IT industry and other industry we heard a lot about the attrition issue means the salaries are increasing, and the employees are leaving the companies and joining other companies because they are getting good salary hikes. So, are we seeing any such attrition problem in the industry too?

Rupesh Mehta No, not that much. Because whatever the recruitment is happening of which 10% -- so we are doing one data analysis now, and in that two to three people leave the company as oppose to 20 to 25 new people are recruited by us because for seeing more growth, we need employees. Second thing is that, based on the performance and the activities of HR, on an average every year we have given 10% salary hikes and in some areas those who have given extraordinary performance, we have given 30% hike to them and retained them which was unexpected.

And another thing is, we did a sales conference of the whole India team and with distributor also, before one and a half month, so in that also combining the sales, service and manufacturing we started an award system in which platinum, gold, silver medals will be given to the employees. So, we do appreciations as well as do a lot of activities in the factory which will increase the employee's interest in work. And one more meeting which we did of the sales scouts which was given the name as Next Level.

So, we do the next level work in this also in which the whole team starting from the worker level we tell them that Macpower needs to go in this direction and there is a big opportunity open for us and we're working on it so if you stay with us there will be benefits for you as well for example, we give incentives in sales and services based on the performance.

Similarly, from the workers till the office staff we provide all the facilities to them, like, uniforms, transportation, the company has four buses, free canteen, free breakfast, free tea, medical, all these benefits which we give, gratuity, PF, so because of all these benefits there are less chances to leave the company.

And the second thing is that in this area, the threats which you have mentioned, in that area we get an opportunity that Rajkot's third number or fourth number's largest machine tools manufacturer company which is on third or fourth number, there are 1700 employees.

So compared to that company, the growth direction of Macpower is that their employees are getting salaries, giving growth opportunities there is no fix time for these things, even for three months they haven't paid the employees, so in such areas compared to them we have got opportunities last year, Rohitji.

Rohit: Thank you, this was also helpful. Last question then I will go back into the queue sir. So, recently we were at exhibition and we learnt that there is a slowdown in market because of CapEx, interest rates also increased. Commodity prices has increased drastically in last year so there is a slowdown in market. So, what do you think that do you face any challenges in coming years or not?

Rupesh Mehta No, not for a long-term. But let's say capital goods are there and everyone's balance sheet is increasing so always one of our accounts business seasonal businesses is there just like that you have seen our capital goods in the last years that the first quarter will be low, the second will increase, the third will increase a bit and in the fourth quarter it will do wonders. So, this is the pattern going on because in April there was slowdown everywhere. Everyone has done billings in March and whatever the loans are still pending, like I said, everyone has a big order book, and we also have pending orders in the range of 1000 to 1200.

So, everyone's orders are pending but still realization in April doesn't happen that much because without payment they don't in the capital goods like our rest of the competitors don't give machines on credit. So, at that time, the bank loan process, the balance sheet is not prepared, and the banks also in March closing they are busy till 15th April to 20th April so that pattern is observed that in April it's less but in May, it starts to pick up slowly. And the metal price you mentioned, the impact of that has been observed by those who purchase our machines and work that in what price should we quote you the component. But in the last ten days, again the ordering process has begun very fast and the billing planning is getting better.

So, let's take an example, we got billing for 149 machines from the branches. But the realization of that happened was only 60% 70% so loan got forward. So due to the banking it's getting longer in process that why it's in cost, but overall in the financial year, in our machine tool summit the assumption was given that 20% of whole segment will grow. For example, 28000 machines were made so, this year India will cross 31,000 plus.

Rohit: Thank you, sir. No more questions. I will get back into the queue. Thank you so much.

Rupesh Mehta Thank you.

Moderator: Thanks Rohit. Anybody else who wishes to ask question, may raise your hand or unmute and ask the question please. Yeah Puneet.

Puneet Chawla Yeah. I have one more question on the inventories. So, if the balance sheet, I see there is good number of inventories available with us already. So that is based on your current order book or you think they are not sufficient and we need to procure more and more in the coming months and container shortage can hit us there?

Rupesh Mehta See, from the both sides if we maintain 14000 components inventory so we believe that if there are components you can make any model because in the presentation you may see that 64 types variants are there among the rest models. And in that also customization is there to do any changes, so minimum and maximum level inventory we have managed that we will keep maximum inventory because it should be both sides.

One is the one which you get in old prices, and number two, if you purchase in bulk size you'll get low logistic cost and of the 14000, if you keep 13500 as inventory so the struggle you'll have quarter-on-quarter will be of the remaining 500 components only. Because if you don't have this component for this model and for that model you don't have that component and you need 850 components. Even if there is one less component your production will stop.

So this is one reason. And the second reason is that the supplier doesn't tell you that give it in two months, or three months, or four months, like for example, we have an outstanding of Siemens more than period of six months, so those people want volume, they want work.

They won't say that give us the money. You'll have to pay only that much whatever they have sold. The third thing is that you have the cash in the bank, and you're getting less interest on that so whenever you give it first you do the inventory that if you do in production, 25% which we are talking about, the game changing thing in this is that you have the material, you have the skilled manpower and you have a small infrastructure in which the constrained items you're doing in-house so these three factors are there to increase production to increase revenue so, among them one is the inventory.

Puneet Chawla Okay, thanks for this answer. Another question that I have this when your vision is to grow like 24% -25% year-on-year for few years or the coming time, so do you see we're growing by 2X or 3X in terms revenue very fast or do you think some challenges which can stop us? Any Peers which can -- from which we are lagging in those terms?

Rupesh Mehta No, we are not lagging in Peers but in economy if you take capital goods industries if you know that if any such impact is seen in the market, the first thing gets cut is capital goods only because they have two machines which are working, so why to buy third machine? And when there is a boom in the market, we get the last turn so that impact is less, in the last ten years -- in 1920 this has hit once this segment other than that what the demand is right now, India has done very less production. Let's say that we only work in turning segment, if you see three years before, our VMC segment was not more than 50-60 machines at that time and now it's 200.

And the market of this segment according to my knowledge is 8000 machines. So, we are still at 200 machines. The second thing is, the HMC segment we have only sold one which had 450 machines in the market. So, we made two VTL. Every month one is being produced from this month. So whichever product has the 300 market, you just focus on that product, penetrate on that where you haven't worked on that product.

So, if we talk about the overall market so we are taking less than 4% market share so, even if there is recession 10% 15% in the market, we consider it as a growth in this segment and still from other baskets we get the work, from other segments also so we'll focus on that front.

Puneet Chawla Okay. So, you are quite confident and bullish for next upcoming four, five years that sense. Good to hear that. So yeah, those are my questions. Thanks for that.

Rupesh Mehta: Thank you

Moderator: Thank you, Puneet. Anybody else who would like to ask the question? So, while somebody wish to ask the question, Vinay would like to ask you one question.

Rupesh Mehta Yeah, yeah Vinayji.

Vinay Pandit: As you mentioned you have manufactured nearly 1024 machines this year and now you are increasing the capacity to 1300-1500 by June. Correct?

Rupesh Mehta Yes, yes.

Vinay Pandit: So, what are you exactly planning to do so that your capacity will increase and what kind of revenue potential will this 1300 to 1500 machines have for you in future?

Rupesh Mehta See, one thing is that we have done few vendors development which was the constraint on our component. Some of the castings, we got a lot of challenges in that segment, the one with the steel casting, we had one pattern in that say for example, one turning VX300 model is there which is in high demand, in that pattern they do the mold in that casting and give it to us. So, we had only one pattern before, and due to having one pattern on one supplier we used to be dependent on that. So for the pattern shop we purchased the biggest CNC routers and developed a pattern shop. And now the components we have, we have three sets of pattern for that, three sets.

So, previously to give 25 components we used to use one pattern which was difficult thing but now we get 75 components from three places. So, to remove that constraint we developed a pattern shop and the work on patterns are still going on, so we can take same components from two or three suppliers so the constraint of casting will decrease.

Second, the assembly area, in this area the assembly machines are kept on the assembly lines on the dispatch time, so the size of that turning machine shop floor is double the size so one more shop floor's construction work is going on now, it will be completed in three to four months. And the store department which we shifted and the Unit 2 which we have we are shifting in that and the construction is going on now. So, we'll have more space for assembly and the constraints of components which was there, to resolve that we need pattern so for that we have done the pattern and for the rest of the component we have developed new vendors.

Second exercise which we are doing is that we have implemented one exercise of 25% for productivity improvement in which our in-house sheet metal shop, in-house machine shop, in-house spindle shop we have designed it so overall this will help in how to reduce the assembly time.

So right now, say for example, whatever our 40 hours man days we have for our turning machines assembly, to target 25% and to complete in 30-man days we have a CFT committee for that which regularly day-to-day works on that, because if one person changes that will impact to the other department. So, for that coordination we have a CFT committee which works on that. So, these are three-five reasons which will help to increase our capacity is what we believe.

Moderator: We will take the next question from Justin Matthew after that.

Rupesh Mehta Hi.

Justin Matthew Hi, Sir. I have a question. Yeah, in the presentation you have mentioned about exploring the exports market also.

Rupesh Mehta: Yes.

Justin Matthew Yeah. And I remember in the last con call you talked about having office in other I mean, if you are selling abroad meaning to have office abroad to service the customers. So, are we going to have an office abroad or we are selling through channel partners?

Rupesh Mehta Channel partner is the better option in initial stage because they have customer knowledge, they have the customer requirement knowledge also. And in that direction India's two three companies have worked very well. They have – one company has worked on 20% of the export market, through channel partners they did this. In that, they gave the channel brand of that channel partner they gave that on the country brand to that partner and some things like software and final touch ups the channel partners of that country did all that.

So, this segment is also working well so initially to do our setup will be costly as well as the whole recruitment process to reach problem will also be there. So, initially to go through the channel partner will be the better option. Last, whichever company is there in India, we're getting an approach on making our products, our design but we'll take your machine in buyback from their branch.

So, we're still not yet working on that level because still our capacity is not that much. The rest of the companies have worked with them, so that company also has a worldwide distribution network. So, to do this through a channel, to do this through them also can be helpful in the future if we get any such opportunity. But, to do our own establishment, we're not having any such thoughts yet.

Justin Matthew Okay Sir, thank you.

Rupesh Mehta Thank you, thank you.

Vinay Pandit: Sir I have a question, follow up to what I was asking you before. What are you doing to increase manpower and are there any steps that you are taking at senior level management as well?

Rupesh Mehta At the senior level, we had completed one meeting last week, but still some modifications are needed in that in which sales – the four areas which are the key areas, sales and marketing, service which is a very important factor, and design. We are working on these three areas and we have structured one organization's restructuring. And we are evaluating it, example with Ex Makino people are there, one Mercury Gold named agency in Pune is there, KPI is there, we are doing meetings with these people also regarding our restructuring of our organization so to evaluate that they will help us in that using their past experience.

And with that the recruitment process of hire-in, that also will be given to a hiring agency and recruitment is going to be a big challenging thing because this year, like you saw, 100 plus people have joined us so, every year we're going to need 100 employees. And to increase the speed we're going to need 200 people. So, we are doing department wise HR, for example, sales HR is different one. His responsibilities are to do the recruitment, training, and whatever the problems are there in the branch related to the HR so he will work on that front.

So likewise, for service is also different. On the worker level as well as operator level those are also two different departments. In HR also, we have created lots of different horizontals so that they can directly focus on that only. So if we need a person on a plant, so we have a different process for that also. So, right now in HR we have four different departments in it. And now we'll work on that.

And for new recruitments, it will be on B-level and C-level, even A-level will also be there. But the top management which we have to add for that we do meetings with consultancy, agency. So, they won't just do the recruitment they will form a panel and first do their interviewing, and also, we are doing one activity of third party interviewing so that the identified person if he's capable or not to deliver. So, for that also we're working on that front Vinayji.

Vinay Pandit: Sir any recent senior management additions? Have you made any senior level additions in any areas?

Rupesh Mehta Right now, one Vice President of ACE has joined us and it's been just a month and now in Macpower he has been appointed as NEXA Head and whatever the geographical issues are there for example, they need to stay in Bangalore only so if we are set up in Bangalore, so the candidate should be from Bangalore who can operate NEXA from there. And whatever the pending recruitment is there like, zonal head of south, regional head is there, now we have regional head so he'll keep a watch on their business from Bangalore.

Now on a policy level, we need highly skilled manpower so the connectivity from Rajkot is also good, India level flight connectivity. So, every month he'll be reporting here from Bangalore and all the NEXA products he'll operate from Bangalore because he'll be sitting five days in the office, and 25 days he'll be on field or 20 days, if we exclude holidays. So, we'll appoint the senior level post in the branch also for resolving the geographical issues of their families, because only a few people are available in India of this type which can help us on the next level.

So, right now one senior person has joined us and one is from our competitors who is machine shop head, he has joined us. And he is giving good output and just in a month's timeframe, he has increased our machine shop's capacity by 20% so that work is also going on Vinayji.

Vinay Pandit: Okay, okay. Sure Sir. So, sir the capacity you have increased or you have been increasing of about 1300 - 1500, how will the working capital be or how you will manage it? And which are the sectors or what are the product categories that you are going to target for revenue growth for these additional capacities?

Rupesh Mehta For that work, I think, every year about 5 crore – Rs. 4 crore, Rs. 5 crores of which 25% which we are doing that much CapEx will be enough because on an average in-about, in two years we had Rs. 10 crores so, in one year it was Rs. 6 crore so the next year it will be Rs. 4 crores. So, if we do that, that much fund we already have so we don't need to take any such bets.

But if there is any big opportunity like for example, a lot of government schemes are going on and these people come and meet us saying if you want to do something big, we have lots of different schemes for you, so we had a meeting with District Industrial Development Corporation once that the government's defense policy is there for which you are eligible so do some exercise for that and you'll get lots of subsidies and lots of land which you can get on a negligible rent.

So, we're working in that area also. And if we get any such realization that we can get a big benefit from any of such government scheme and to make a big expansion so we can think about from where we can arrange the funds for this with the help of the masters in these areas. But right now, the growth of 25% is there, for that, we have enough funds for that. And for revenue, vertical machine center which is a product of NEXA, VPL is there, horizontal machining center is also there, so in that also we'll get good margins so we'll be focusing on that more. So, for that also we're going to need enough seniors to do product wise in our distributions network and the organization that I have right now mentioned that we'll be restructuring so, there we'll try to get more numbers from that, IRN product.

Vinay Pandit: Sure. So, this year you have given almost 15% dividend on face value, and 12% share of profit (divided payout)

Rupesh Mehta One more thing Vinayji, just the way we'll increase the backward integration, to increase the margin, to do only the sales of the higher end products will not be enough. Now, we'll do it by job work or we take it from vendors, so say for example, if it costs for Rs. 1 it will cost Rs.0.80 in in-house. So in future, the way we're going to put our CapEx for machine shops, foundry, pattern shops, the same way our margins are going to increase more with the backward integration also. So, this is going to happen on both sides. Just not because of the higher end products or not because of the sales price, but because our material input cost will also reduce and when fixed cost is more than when the numbers will increase of the production, productivity that will also have another impact on it, from both the sides.

Vinay Pandit: Sir, my last question is, you have distributed 12% of profit as a dividend. Have you made any policy or have you thought about how much dividend you'll share with the shareholders every year?

Rupesh Mehta Yeah, that if we look at the – so we discussed last time that we'll give the dividend from 8% to 15% on a regular basis, depends on our expansion or whatever our situation will be.

Vinay Pandit: Sure Sir. Anybody else who wishes to ask a question? Sir, since there are no further questions, we'll end the call here. Before we end the call, do you wish to say something?

Rupesh Mehta No, overall thank you. Thanks for the appreciations you gave me and all this presentation you gave Vinayji, first of all that was very good and people are saying that it was very good but all the efforts are from Vinayji. And whatever good work we're doing, efforts we're taking, so all the appreciation we're getting through all of you, so for the journey ahead we'll work hard – because people are recognizing us what we're doing, and there is lot of hopes of people so we'll try to grow our economy and our segment, and to grow more than that by every year's continuity.

So, if you compare with last year, almost we have achieved a lot, so last year also we said it will reach 170-, 180 topline, but we did 190. So, we'll give under commit and look to deliver more than what we commit. And we believe this year we'll be doing more than that in organizations, systems and for future plans which we'll be working on.

Vinay Pandit: That is really good to hear sir. And I am sure, all the shareholders will also be happy to hear that. That brings us to the end of today's conference call. I thank the management of Macpower CNC Machine, Mr. Rupesh Mehta, CMD and Mr. Rajnikant Raja, CFO for being with us on the call. And thank you all the investors for joining us on the call. If you have any specific queries do feel free to get in touch with us on the contact details mentioned on the presentation. Thank you so much and have a great day sir.

Rupesh Mehta Thank you very much Vinayji. Thank you very much everyone.