

29th October, 2021

To,

**The Listing Compliance Department,
National Stock Exchange of India Limited,**
'Exchange Piazza', 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, October 26, 2021 at 12 o'clock to discuss the financial results for the quarter and half year ended on September 30, 2021.

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.

For and on behalf of
Macpower CNC Machines Limited

Sd/-

Sagar Rajyaguru

Company Secretary & Compliance Officer

Membership Number: 61544

Encl:a/a



Q2 & H1 FY22 Post Results Conference Call

Tuesday, 26th October, 2021

at 12.00 pm IST (12:00 noon)

Management Team

Mr. Rupesh Mehta, Chairman & Managing Director

Mr. Rajnikant Raja, Chief Financial Officer

Mr. Sagar Rajyaguru, Company Secretary

Hosted by

KAPTIFY Consulting

Strategy & Investor Relations Consulting

Represented by

Vinay Pandit

Vinay Pandit:

So ladies and gentlemen, on behalf of Kaptify, I welcome you all to the Q2 H1 FY'22 Post-Result Conference Call of Macpower CNC Machines.

Today on the call with us we have the management represented by Mr. Rupesh Mehta, Chairman and Managing Director; Mr. Rajinikanth Raja, Chief Financial Officer, and Mr. Sagar Rajyguru, Company Secretary.

We will begin the call with initial comments by the management on the performance for this quarter and the way going forward, post which, we will open the floor for Q&A.

So, Rupeshji, I would invite you to please give your opening comments.

Rupesh Mehta:

Good afternoon, everyone. And we are welcoming you in the Q2, '21-'22 quarter, and as I expect and as I promised you I would like to brief some of the figures. I think everybody go through our presentation. As you have seen, I think in our discussion with people and In my speech, we have told regarding Capex and that we will increase our production at certain level, quality, logistics costs, all that I have explained. we had given a (internal) target of INR50 crore in quarter. We have exceeded that with 52.75.

First quarter, we also had good performance. We had good order book but unfortunately in April and May due to pandemic Corona second wave there was disturbance. But despite that we had achieved Rs 37 crore plus target.

A very good feature of this quarter was that Backward integration is not important for some of these. Because we have overall more than 10,000 component inventory, including imports, domestics, vendors, in-house channel. Assembly time is not much. And we have quality of components, and in-house manufacturing and the CapEx we have done, has shown lot of improvements. So various components almost sheet metal which is the upward enclosure Is maintained 100%in which100% powder coating is done and 50% to 60% singles achieved. And by next month it will be on 80%.

So backward integration causes increase in products & productivity. And as I have explained with figures, highest quarter (Q2) in Macpower's history in terms of revenue generation and number of machines generation. According to backlogs, order books, future plan we have to expand the capacity. We will continue our journey to gradually increase the production. As I said, there is no shortage of business for anyone, because there are less than 10 established players and 90% business is in between 5 to 6 players.

Even as of today, India's manufacturingis less than 50%. Too many products still we are importing like HMC (Horizontal Machining Center)Vertical Machining Center and Greatex center which is used to

manufacture mobile cover(iPhone & Samsung back cover) we have to developed. We have started Nexa Group for sales of higher end products Because The strength of Macpower Group in the market was in turning machines. Now if you Look at the order book, you will find VMC (Vertical Machining Center), for future growth we are focusing on that product (capacity and marketing). these higher values or higher end machines which is there we are seeing a lot of pending orders too, and that too we will increase gradually through Nexa. You must have seen we have orders for HMC which cost INR 1 crore. We also have VTL so now we are focusing on some higher end product. Turning Machines market size is always almost 70% of total business. Balance 30% consists of other products which are manufactured by Indian players which include HMC, VTL etc.

We are also dispatching 2 VTL's today or tomorrow to Shakti Pumps Ltd. So VTL was also one of our future generation machines which has come to the market now

Overall, you'll see, we have achieved PAT around 8.5%. And you will see the overall ROI of 17% we have achieved. I have a target of 20% in the next financial year, and we do not intend to take Debt in the short term as there is little cash reserve lying around. So we utilize it more to keep inventory Because to grow you have to have components. There are more than 1,000 types of component in one machine Time for assembly is not more than 4 to 5 days, but to procure the component to manufacture the component that is the challenge.

We are yet to gradually planning out backward integration by identifying the top 10 items that are critical for logistics, accuracy, cost and delivery. In this month we have made 2 meter VMC and HMC we are doing our in-house making component. So gradually we're going to increase CapEx. And simultaneously means, you should not do full CapEx in one go as this requires large quantities of components, and to manufacture these components would take manpower programming, picturing. So all these things, resource management so to say, is bit challenging. So gradually, 20% to 25% growth through backward integrations we will be doing.

Last year, due to corona we didn't give dividend. So interim dividend is requested to the board and thus the mutual decision was made that 7% to 10% of profit every year will be given as dividend and remaining cash will be utilized under CapEx. For long-term, we are planning for expansion, which is government policy for test and aeronautics, state government, under which they gave some relaxation for land purchasing and acquisitions.

So for long-term we are expecting a big expansion, that we are eligible for this government policy. Our defence orders are 10% or more of the overall business. And now we have INR150 crore tenders under regulations. So if we can get that and government also giving us a very good opportunity. Because government thinks for any manufacturing sectors machine tools is the backbone,, without machine tools nocomponentor any manufacturing sector, like textile, mobile, paper, computers, nothing is possible without machine tools.

So LP for government is high, a lot of subsidies has been given to the purchaser, vary state by state, 15% to 25% subsidy is given to the machine purchaser by the State Government. Interest also is almost 10% -- (7% to 8%) is reimbursed. Earlier, for the SME customers, excise duty was added into the cost Now after they got GST, tax too. So tax free subsidy, and interest also almost interest free.

So what the market is, I do not think that the machine will be under so much pressure of growth right now. Because it is not even that, all the people can come in this sector. Macpower had worked hard for 10 years, then there is such a growth basket and so much market for those people. Because it requires a high technical background and technical skills.

With this 550 people, we have reached the level today. Overnight, there is no competition either. I always say that, this is the demand and this is the need of the future that we have to fulfill.

So I hope to expect the same growth for the future as well. And by increasing some capacity and capacity production and productivity in the next financial year, we will take the production to a different level.

I think that's enough. And everything that we mentioned in our presentation and in our press release. Shall we start the question-and-answer?

Question-and-Answer Session

Moderator: Sure, sir. Karan, you can currently go ahead, please.

Karan: Thanks, Vinay. Rupesh bhai, good afternoon. Thank you for the opportunity and you have given very good explanation. So really appreciated. Very good for all of us who are attending the call.

Few questions for you. One, your supply chain issues, because during these times a lot of companies are having supply chain issues. And like you said each machine that you manufactured requires several components. So have

you been also facing any supply chain issues? Or how are you dealing with that scenario currently?

Rupesh Mehta:

No. Currently, some components supply chain issue is already there, which we had easily overcome. [Indiscernible 0:12:41] and bolt screws, this segment overall and always this component had lead time and logistic time. Because this come from Japan and Taiwan. all the people faced this problem every time. it was already there. Many questions were raised, as to why you have that much inventory. I always answered them, we have no VAT, we have free cash, bank is giving 4% interest. And if we are generating 70% ROI generate, then inventory is gold for me.

So if we are facing this kind of issue, I am keeping one year stock minimum and each month that level of that consumption reordering. That's why I am not facing supply chain issue for this component.

CMC systems which are heart of machines, in it we had an issue with seimens in between. But our seimens consumption is very low in the market. Within firm, we have not have any problem from Japan. Because firm is Indian. For assembly and testing and manufacturing facility and working. So easily their capacity is of 3,000 system per month. So our 100 system is not a big task for them.

But we have a problem if your unexpected order comes. Like, a gang tooling machine, there is a VTL, big VMCs, you have produced that the average of 5 machines comes per month for this model. And somewhere you will get immediately of 25 machine model. Then you will have to arrange from traders or local manufacturers for the immediate delivery of one or two components for short term. Otherwise we maintain minimum maximum level for at least minimum 3 months 4 months. So suddenly we didn't any challenge.

Karan:

Okay. Thank you for that. Raw material was my question as well, then you have answered it. Nowadays in the market, apart from you, you mentioned there are about 5 or 6 other players.

Lakshmi is also there ACE is also there. So how is the typical market positioning of Macpower. Like in past calls, you said, you typically supply 1 to 2 machines to a customer you not very much in corporate sales. But that was one aspect that you were also looking at that you were thinking that supplying 20-30 to the same customer depending on your ability to manufacture. So has there been any movement towards that market or are you still doing?

Rupesh Mehta:

I think, through Nexa will target Tier 1 Tier 2 Customers. And with the component throughout, they required a lots of things. Features, they required toolings, they required programmings and they required training also.

In other segment, we have through Nexa gradually, us we made 5% increase production every month, big target, it is not a possible. But we increase it by 10%. So as the production will increase, now we have shifted from one vertical machining center to Nexa i.e. according to the market, the market share is very less and the product also gave a lot of features of a very premium product, with lot of features, tool to tool time to change is less than 3 sec. And many features were added in machine.

And aesthetical is also good. Costwise is also less. We have focused on that. But like production and productivity will increase VMC. If we are doing total business 100%, 15% Vertical Machine Center doing, and 85% turning machine, defense is approximately 10%. Then what I am right now is the 100 of our verticals to the center 40 to 50 level.

After that the segment which is the bulk, to expand Nexa. Phase 2, we are entertaining right now but do not focus. Suppose we are doing a marketing through social media and marketing IndiaMart. We have never done marketing, now we do marketing. Sometimes even a good exhibition in Mahatma Mandir Ahmedabad in December, even back then we are participating. So far so far on marketing also focusing on leads. Today we are selling the vertical turning center to Shakti Pump, which is higher end product. And we have delivered more than double digit machines. So this journey has started now that we are starting to focus on the corporate show and the consumer who is the consumer.

So their example we have delivered more than 10 machines to Shakti Pump Coimbatore already. Tomorrow or maybe day after tomorrow, we are dispatching another two vertical turning machines to Shakti Pump.

Karan:

Okay. Vinay can I continue talking. If you whether any other question. Please feel free to interrupt me. But in the meantime.

Rupesh Bhai, when it comes to production, you've been saying that you plan to increase it from 1,000 to 1200 machines to 1,300-1,400 machines a month through backward integration, better management of the workflow. But you've never discussed the ability or at least I've might have missed it, that is it possible for you to also add a second shift in your existing facility?

Rupesh Mehta:

Exactly Right now, we have doing VMC for the machines of Powder Coating Plant and the sheet metal. We are doing enough for the component in what we have CapEx tool shift. We are working 12 hours 8 to 8. So four

hours gives extra overtime. But now we have to work for 25 days only four assembly day out of it. If the sound caught, we would have worked for 25 days.

So we have established 4 to 5 units assembly operations, like subassemblies, final assembly, Electrical Electronics Application trial and Quality Assurance Department and then dispatch, in all the assemblies and then a complete machine assembly in 7 units and seven different HODs there is a HOD above him, he is my brother, he sees what we do to coordinate with these seven HODs.

An SOP has been made that Unit 1 comes machine bet, machine purchase from our in-house facility then its accuracy should be less than 10micron Then he signs the same, after that he receives, then start assembly. As assembly starts in that these same unit one he does 10 assembly. Cycle time for first unit will be four hours. For them, in four hours, he has to note down how much he has done (plan vs. actual). It has to be done in time.

After that, the one who does such assembly also has the SOP, that before doing this first, then this one, put this gauge, take reading from there. We have made this process so easy that even an ITI and diploma engineering student can be trained within one month to do such assembly. Because we have done this process so much easy.

So now we have 4 to 5 assembly target and excluding holidays for 25 days if it is possible 100 even today if workers then we also plan for that whoever does not take one leave will get 3% bonus. One he will get 2% bonuses. And now we will also do a planning of the night shift, in which an assembly process for urgent basis which is delayed should be complete in this month target. So one assembly line in the night will be added

After some component and material availability smoothens I think from January, one night shift for assembly. But powder coating plant,, sheet metal plant, and in-house component manufacturing plant working on two shifts, 12 to 12, almost 24 hours.

Unidentified Analyst

Karan:

I will come back to the marketing side a little bit. So your competitors, can you just discuss Macpower's positioning compared to these other companies that are manufacturing CNC machines, Jyoti or Lakshmi, ACE, BFW. compared to these

Rupesh Mehta:

If you buy any current machine from the capital goods, people will never talk to one company. They invite minimum 3 company for the sake of discussion, then we will understand their components, they will show them what size machine they require. And the training that such sales person has

taken by common people, we have trained our team in countless feature benefits and advantage.

Machines we have trained people, and done a handbook in which in front of our model, which model of the customer is compatible and what specification, what are its features and what is the advantage found in it and disadvantage like SWOT analysis has been taught to them and that accordingly. As if we talk about turning machines, then against Macpower's MONO-200 competitor so and so models of the competitor itself. Then inside that we say that our MONO-200 model is one piece casting. There is no two joints.

Other competitor machines have two piece casting and 45 degree slant bend. In our engineering language, these people understand what is 45 degree and what is slant bend. With 45 degree slant bend, their tool is not overhand, it is a very close tool, comes close to the tool job, then the chances of vibration are reduced. If the tool is at 30deg then it 7 to 8 mm away and in 45 degree tools comes very near, 2 to 3 mm. so due to No overhang, Vibration will decrease and chip that falls when you do the job of cutting the metal by cutting machine, then the chips will not fall that much and lay on bed, because of 45 degree.

So these engineering word understandable to those customers. And after that if they are -- because Macpower 8000 machine, then they are running the -- in each city perfect condition inside the city Macpower's 100 to 2000 Machines. So their competitor shows the machine going somewhere today or else the competitor they have to do the component, they will take it as a component, we will tell them that we will make for you and give you the high value accuracy and repeatability. We also give you trial. What is it that these people do not fall into all the things, they say take the machine but we also give them this support that you will need programming, tooling, or any other requirements then we are always with you.

So this customer will find new customers for us. This is our strategy. We said this thing and the product capital goods mouth to mouth publicity which one satisfied customer teaches the word of [Indiscernible 0:26:41], and a dissatisfied customer will lose. That story remains ours. And it is our second biggest one which key factor to the people, service charge is nominal spans after one year or two years, almost 3 times.

And Macpower sells spares on only 10% profit. Then they ever spend so much in life of 5 years 10 years does not come as much as other machines cost. And this feedback is also given to them by the market that these people's spare cost and service charges is also very high. So what component did you use? Suppose everyone has stainless steel, telescopic cover to avoid coolant get inside. A lot of competitors put MS, then there is

a chance of rusting. But the pocket of tooling of VMC, which is 20, we give the 24, they give accuracy 10 micron Macpower gives 2 microns, if needed

All these engineering commitment and engineering features discussion builds the confidence of the customer and delivery time is a bit our lengthy. So still we are cheap 5% to 7% in the price. So good machine, good feature and price is less and only they have to compromise on delivery time. Due to these reasons, customers are attracted And the reference they get from the market mouth to mouth. Because before buying any machine, people try to get the reference

Unidentified Analyst
Karan:

How much market share you have?

Rupesh Mehta:

My total is very low. Overall not even 5%. My market still opening now, 5%. If we are talking about total 25,000-26,000 machines suppose take Macpower's 1,000 machines, it's around 5%.

Unidentified Analyst
Karan:

So as your leading product is turning turning center. So is your market center higher in turning center compared to --

Rupesh Mehta:

Higher in turning turning center. But turning turning center's total market size 70% is turning turning center, so 40,000 to 50,000 then if we consider 80-90 turning turning, then that's right 5% to 6%.

Unidentified Analyst
Karan:

Okay. And pricing wise, say, raw material costs are going up, metal prices are going up. Have you made any adjustments in your prices?

Rupesh Mehta: Normally one machine say for example INR15 lakh final price, there the price are in three slabs. One at the general manager level, one at the regional manager level and one engineer. The level of the gap between the three. When an Engineer talks, then he is stuck at INR16 lakh. When regional talks, he gets stuck at INR15.5 lakh, when the General Manager has the power to do up to INR15 lakhs. our quotation is of INR20 lakh. We will change the level. Changing the Price list is not always sound that good to customer. so what we do is Now what I was INR15 lakhs, that was INR16 lakhs, the cutout price. The last cutoff price INR16 lakh. We keep practicing this regular basis. Then we do not increase the price, but the cut off price is that in the meeting or through internal circular which would have shared it in our sales key in India and the rest of ours.

Rest our pending orders for the suppliers, we have to give them that much goods, they do not pending as much as 3 to 4 months. We have that much of

inventory, then there will not be that much major effect because all the people do the price a little plus minus every month from their side.

Unidentified Analyst

Karan: Thank you Rupesh bhai. I'll get back in line. I think many still are there. Thank you.

Moderator: Thanks, Karan. We will take the next question from Digant

Digant: Thank you Vinay ji. Thank you, Rupesh ji. Just two questions. Now I don't know, if you have mentioned it earlier in the call, but your provision has come from INR1 crores to INR3.5 crores. The second question was that this year's revenue target of the year. What are the revenue targets for the next year?

Rupesh Mehta: I didn't understand first question. Could you explain?

Digant: In your balance sheet, your provisions last year were INR1 crore and this year showed INR3.5 crores. So why is this growing so much?

Rupesh Mehta: which provision is it? Zaheer bhai please check it, Vinayji I am not understanding the question

Zaheer: We'll just check the breakup of the figure and we'll get back to you.

Digant: Hello.

Moderator: Yeah. Digant. They'll just check the figure and get back to you.

Digant: Okay. Sure. And about the second question, I was just asking about the revenue projections for this year and next year.

Rupesh Mehta: This year, I think Digantji we'll continue the same journey. Or rightly as you know, very well about the capital goods segment that first quarter is little bit slow and second is -- and third is increasing and fourth is always I think highest numbers.

So we are expecting that we will continue the second quarter journey in this financial year. And the next year definitely will increase 15% to 20% of production and productivity through the resource management by CapEx and appointing at some higher end employment. And for next year we are targeting growth of 15% to 25% except price increase. I am talking about natural growth. Price increase will also growth. But notwithstanding price increase, we intend to grow by increasing number of machines.

- Digant:** That's amazing, Rupesh ji. Thank you so much so much. I'll wait for the clarification on provisions.
- Zaheer:** Yeah, regarding provision figure, there is higher provision for income tax due to higher profits.
- Digant:** Okay, so this taxable. None of bad receivables or those sorts rights.
- Zaheer:** Provision for gratuity and provision for income tax has increased. Provision for income tax has increased by 1.2 crores compared to last year.
- Digant:** Okay.
- Rupesh Mehta:** It's because of it advanced tax We are expecting good numbers.
- Digant:** Okay, there is no problems in receivables? There is no provision for receivables?
- Rupesh Mehta:** Receivable is not a problem. As you know, receivables is almost none. Take the money in advance, then deliver the machine. And whatever small receivables is due to good relationship, customers and almost for government. But overall no receivable issue.
- Digant:** That's why we are with you since years.
- Rupesh Mehta:** If there are any receivables from customers, then always he will hear sound in the machine. When talking about sales, not even INR5 is remaining. If there is any receivables then always he will find some problem with the machine. And satisfied customer will become dissatisfied, that's why capital goods are never on credit and it is only to take delivery of the product. So not only us but nobody is giving the credit.
- Digant:** Okay, Amazing sir. Thank you so much sir.
- Moderator:** Thanks Digant. We will take the next question from Agastya.
- Agastya Dave:** Hello. I am audible?
- Moderator:** Yes.
- Agastya:** Rupesh ji, hello. Thank you very much. And Rupesh ji I must congratulate it. Performance was fantastic. I thought my expectation was too much but you beat that too. So congratulations for that. I want to give one compliment, your presentation is good, incremental disclosures are very nice. This is good practice keep as much transparency.

You talked about order book number of machine has also been told about its order book and the value has also been told, it is very good practice please continue, amazing sir. Your corporate communications has also improved at lot. Congratulations on these two things.

And I have some small questions. I will ask firstly strategic questions. Your journey has just started on the Nexa side. So how will you ramp up there? And has there some change happened, now you have started? I think you said VTM sales that you are going to give your delivery in a month. So now that the process has started sir, do you have some initial learning sign or have you changed your strategy? or do you see any big scope? That is first question sir.

Rupesh Mehta:

As we are selling total basket in India, through our business associates and employees, we are door to door and according to enquiries or through cold calling it is a three-layer working platform There is an inquiry generation group that make minimum 4 to 5 visit every day. After that, to make that enquiry strong there is other group and another higher level group. And all three together close the deal.

Then every day these people are so busy, because turningturning machine's everyday -- Macpower's average order book of -- every day we are booking 3 to 6 machines average. So these people are so busy giving quotations, discussions on components, explaining to them technical features, explaining the difference between competitor's machine and our machine, and if they do have Macpower machine, then to take them and show them our machine

They are so busy doing all these things -- because turningturning machine's market share obviously consumption wise overall total machine's business is 70%-65%. Those numbers are also higher consumptions, India. So turningto sell turning machines is very easy for them and they are very busy. and for Vertical Machine and HMC, the discussion is more longer because it's more higher end machines. In it for components and technical discussion they need to give dedicated time.. So they are too much busy with their routine activities.

So we had planned Nexa. turningNexa staff when they will sell HMC, VTL or VMC, then our regular team will not sell them. if they also sell these, then I will give bonus to Nexa, I have been through the business right now through our existing team that the machine is going to sell 15 machines 20 machines then that coming through existing team.

They will not leave the business that these people will do free turning and only Nexa people will do empty verticals. Because they will take longer time to setup Nexa. Existing business and business 60% to 70% customer is

such that the one who need turningturning also need VMC, like brought a pant also buy shirt.

And almost the customers are same, people are more busy in turningturning machines booking and not focus on VMC, so we have focused it separately. That team that is Nexa will not do turningturning, but the existing turningturning team, those people of vertical, HMC they will continue to do. And for this we have developed a software that the same if those two groups are working in the city, then those people will log in.

When the regular team has submitted a quotation of the vertical machining center, then for the same customer if Nexa will submit quotation, then it will not allow it, quotation will not be generated. This is not clash and that two people do not work on the same customer, And now we are VTL giving are being dispatched tomorrow or the day after, through Coimbatore business partner with the support of Nexa team, we handover the power pump inside the power pump to more than 10 numbers we have entered in Shakti Pump. They are repeating the order every month.

Agastya: You said, Shakti Pump sir?

Rupesh Mehta: Yeah, Shakti Pumps limited, Coimbatore

Agastya: How much time will it take let's say 15% or 10% of your sales coming through Nexa?

Rupesh Mehta: I also handle market penetrations, because I handle the sales directly. Every month our India's sales conference online on same platform. We do every month meeting with the entire distributor of India and our sales team, so in that I have announced Nexa that when you guys focus more on turningturning, which is very easy.

Customer is giving orders by calling you, you do not have to go to get order, then why not you penetrate the higher end product. Every month thinking and my hammering about Nexa often I have announced. Then those people also gave good knowledge from performance. And now they are focusing on VMC also.

And on product I have made a presentation to the public that vertical machining center makes with the in-house facility. By developing in house facility, sheet metal, powder coating and the quality of improvement of the component, whatever minor change in vertical machining centers was improved, the customer is satisfied now with the machines. So same customer repeats the call. Because capital goods story a bit lengthy.

Now if I talk inside this opinion. 25% instead of 15% total of order booking 25% of higher end booking. Which is highest. So gradually we are increasing the higher end product. Instead of 15% now this month will increase to 25%.

Agastya:

The higher end you are speaking. Can you quantify it? As your average is between INR18 Lakh to INR20 lakh for your normal turning machine. So how much is this higher-end from the bottom?

Rupesh Mehta:

Vertical machining center which is the second highest consumption that product basket is that after turning. Turning is always number one one will not be able to beat it, it is 65% to 70% of total business. Rest 30%, which is being built in the vertical machining center 7,000 to 8,000, its average price will be the model product entry level INR21 lakh, INR22 lakh to up to 2 meters machines to INR65 lakh to INR70 lakh. And the average INR25 lakh.

And then vertical turning lathe is from INR30 lakh to INR50 lakh. After that horizontal machining center is 1 meter. And as the capacity increases, I still have a product ready filter center for future generation -- the mobiles manufacturing, its background, to make a back cover, or to cut the mobile drilled up central, 1.50 lakh total consumption. Total installed capacity 1.50 lakh. India's 10 years of production.

So in the future that product also comes with us ready. And a double column machine which is a big machine up to 27 to 30 tonne big machine. And entry level can become 1.25 to 1.5. So the bigger machines, higher end its design, its manufacturing and its sample piece is also ready. What we have to do is to create that capacity in the future, we have do foundry, we have to increase in-house facility, make them big land and expansion. Otherwise business and the basket and product in this business, we have a lot for that which in the next years we have developed.

Agastya:

So Rupesh ji, my question is about expansion, so now it was done with one related question. In first quarter how many machines sold and how much in the last year? Because I have two numbers. One is 671 and other is 651. So what was the number of total machine last year? In the annual report shows 651, if you can confirm that?

And secondly, in the first quarter how many machines we have done? And based on this quarter, we are doing about 100 machines monthly... So our capacity to a great extent and reached the 1,200. Then 1,400 has its capacity beyond its expansion everything that now talks about the adjoining plot, how did he get some development?

Rupesh Mehta:

That plot is on rentals for 10-years lease. It is a 4 acre land and we are will have a little bit more backend shop and sheet metal unit shifting. We are making efforts to increase production but this big production will not increase at once. As if we have to do 200 out of a 100, then it is a dangerous game.

But it is said to be very big CapEx and big line and recruitment and featuring and tooling. It takes a year to get its return and many companies have taken debt in past. If I want to debt free then I have to invest INR5 crore to INR10 crores for another year and 15% to 20% growth. If we want to grow 25%, then we are planning accordingly and we are going.

And if we talk about first quarter, then April and May, capacity then we had already done that in March also if you see then we had done these in 100. In the last March but in April, due to the second wave which came in May, 250 workers in factory family or relatives and or whether they are the apartment of the people sealed. So 250 people were not present in the factory. Hence we were not effective in April for this reason. Then in June, we did the same journey back. So capacity has been established for a long time. But you know that in second wave, we had to go in April also, we have caught the 100 current rate and increasing gradually.

Agastya:

Very good sir. Sir just one last request. If you could give volume number for Q1 and for last financial year, number machines that would be great. all the best to you. It was a very good quarter and your strategy is also very sound. All the best sir, you are doing very well sir. Thank you.

Rupesh Mehta
:

Zaheer bhai take First quarter and second quarter numbers from sales .

Vinay:

Sir, it's given in the Q1 presentation. Private order executed in Q1 was 201 machines to the tune of INR33 crores. And one government order was executed for 48 simulators to the tune of INR1.3 crores. This was the total execution in Q1. And the closing order book at the end of Q1 was 721 machines.

Agastya:

So Vinay bhai the 48 number that amounted only INR1 crore.

Vinay:

There was simulators.

Rupesh Mehta:

Only for training institute. That is manufactured by Seimens. So they required only stimulator. We have also filled simulator tender. When we deliver machines with simulator training along with it, dummy programming and one classroom software for teaching students. So we have to sell simulator along with machine. Which is bought from Siemens.

- Agastya:** Thank you very much sir.
- Moderator:** Thanks, Agastya. We will take the next question from Ayush Agarwal. Ayush, you can go ahead.
- Ayush:** Thank you, sir for the opportunity. Quick question sir. First of all, our order book of INR136 crores, what is timeframe to execute.
- Rupesh Mehta:** The order of the government in the time frame of excuse, we get time within it, then 6 to 8 month. Some of our institutions like Nagaland Tool room or CIPET theirs if it is for short time say about 3 months like imitation control room or pack. Then they also have per month of 2% as delayed penalty. Then we add those 6 months and add up to 10% percent add when tender is filled, when fill the tender get a short time. I am here to deliver to us in short term which is not possible, it is customized in the machine of the government. And they have put a short time on the machine, so we add the penalty in the cost but 99% we achieve and hence 10% is extra profit
- There is no timeline line inside the domestic, that we need to do this. Don't have to give a lot of timeline, there is a time line for the customer that you have to lift the machine in three to four months, otherwise we will give you a little price revision. Because only 70% of the total business style is catalog product which are in 3 models maximum. VX-300, GX-100 and MONO-200
- The above is 70% of Total turning machine consumption business. And vertical machining center ECO-800 and 800 Super. These two models will be your 50% to 60%. Then this machines on monthly basis will be 50 -- if we talk about another 300 series now, another variant in it. 300 super and 300 plus. Then if we talk about all these things 50 machines is being made. So first come first, after payment 15 days catalog product the machine was given.
- After booking these people, after giving advance, take the loan procedure. Because 90% of these people, the target customers of Tier 3 and Tier 4 come in SME. Then those people get subsidy and get interest on the loan that is the condition that when those people take loan only then they become eligible for this benefit. It takes them 3 to 4 months because they have to give margin, the complete layout of the factory and permission is allowed, all these things take time. So first come first. Our Order book which is a bulk for us is a bulk in billing there is no problem, then we do booking aggressively
- We get feedback and now we are planning for the next month of November and December. So the booking of the branch will be completed, Pune

branch 90 machines backing orders. Among it how much needed in November, and how much needed in December?

And the branch takes the feedback by contacting the customer that we have made a schedule for recording the process of your loan. Made four different chain, that he submitted documents, gave margin. Gave margin, so take this customer from the net in the next month loan. Then we get to know whose customer we start this delivery schedule.

70% we do not face any problem. In customized 25% to 50% advance. So overall that is not a commitment that you do not have to spend that much time if you skipped, we prepared your machine and you took it, otherwise we were closed for two months, would they make such a commitment in the government on the rate after two months, you have to follow the deadline, or you will get penalty per month 2%.

Ayush:

Thank you sir, for detailed explanation. The second I have is tender pipeline of INR412 crores, what would be our percentage in bill?

Rupesh Mehta:

10% for domestic every month. Customer submit quotation for machine. After that it also takes one to one month to take the decision and some customers who are there also drop the idea or order loss or else in the next month. He will first understand the technical, understands its budget, then what does the loan do. And if we talk about the platform theory, then we have given the business a different one. Universe platform means of making this quotation submitted. The same customer for all. He might have taken from ACE or other company and third one also.

So we have made platform theory, then we have discussed technical with him, negotiate with him and take him to the buying platform now on negotiation platform where he will talk about price up and down and delivery. If we divide various platforms, then domestic every month's it is 10% of total submitted quotation and government's uncertain.

We are working about INR15 crore INR20 crores, then that too 15% -- 10% to 15% tight ratio. Because the tenders which are not loss but do not open. It takes three months to six months to open the tender which is of the government, that they are technically and properly evaluated. And each tender of theirs is around 100 pages. On an average, you can consider that for domestic hitting ratio 10%, for government business 10% to 15%.

And it's not like a trend, even when a quotation is not submitted, every day we get data regarding your hot customer, like how much in buying platform, for eg. Pune has 12, Rajkot is 15, Mumbai to 10 in Agra is 4 Delhi's 22, means all this name. so these are all name We have in head office, how many orders are there on buying platform are there today in all branches

that also gives us the knowledge that at such and such place this negotiation is going to happen and deals are going to close in which 10 machines out of which 6 machines will be there today and tomorrow 4.

Sometimes we have sudden customers whose name is not there in buying platform or any other platform, they suddenly call and do the booking and given the advance. Those also are around 30% so such hitting ratio also comes that is 30 to 40%

Ayush: Understood. Next question, the products which we are giving to consumers, what is replacement cycle for this? Difficult question, their different products, but on an average in which time one machine be replaced?

Rupesh Mehta: Same as automobile, same as we replace car. 3-4 years good performance, like maintenance, servicing, oiling. After that people keep updating the technology of new generation. Those people also need the higher features that came, some new software improvements. Now they are not getting 2 micron 20 years after 4 years. Like the mileage of the car and new features are also not available.

Then in my opinion same here. Its life is 10 years or 15 years minimum. But the customer who wants more precision and with the new generation they are less after 5 years, they use the machine rough, or else they sell it in the second market. Same like car.

Ayush: And is there any operations maintenance service opportunity in it?

Rupesh Mehta: Huge opportunity. Since we are doing spare business, INR1.5 crore per year, would be huge in future, because we are not focusing on spare parts, because we have to increase production. If we go in spare business, your production in which you have short of spares, don't focus so much on the spare spec. keep only such focus as much as your customer requires. In Servicing also there is good AMC contract.

If no AMC then per day INR3,0000 charge. So those opportunities will also in the future. Almost most of the companies branch has expense from AMC and spares. But we don't think this is the right time to be profitable, because higher charge for component and huge charge for servicing is barrier for future growth. But yes, big opportunity in future.

Ayush: How much is our repeat business? How much percentage.

Rupesh Mehta: I think we should get 50%. 50% customer benefits given by our competitors or some dissatisfactions, they want free service after one year, and our service team didn't give that. Or they have not got the spares on time. So because of little issues, and competitor given some benefits. So should take

50% and it get. Competitors machine also running, and by giving them our machine, better performance than then, let's prove it. So both side win-win. We also take entry in competitor's 50%. And competitors also get 50% among us.

Ayush: Understood. As my earlier question, that INR136 crore order book, as far as I understand it will execute by this year.

Rupesh Mehta: If you understand then out of INR136 crores, it is not compulsory for us to complete all of them.. Bookings come daily and whatever order book it is, we have advance of it. But if you make 100 machines each month, then you make 4 machine per day from 25 days of work. and you dispatch So you have 5 machine bookings instead of 4.

And the machine we dispatch causes our backlog increase by 10% to 20%/ if you take them weekwise, same figure will come, and if daywise then even the same. Every day you should dispatch average of four machines. Then the average is not more than 4, but sometimes 4 went, sometimes 5 went and sometimes 3 went sometimes 8 went. But end of month, target should be achieved.

Then if we talk about sales, every month what we dispatch,10% to 20% more orders come. It will increase sustainably. If you see trend last quarter, earlier that, earlier that, every month it increases. Because bookings against dispatch is higher.

Ayush: Right. Thank you so much sir, for so much detailed answering. And best of luck sir.

Vinay: Thanks, Ayush. Just an extension of what Ayush was asking you. If you're doing 100 machines a month that means in the next six months we can do safely 600 machines, would that be a correct assumption?

Rupesh Mehta: Yes Perfect.

Vinay: Okay and the debottlenecking or the capacity expansion that we are doing with that how much incremental machines can we do in the next six months?

Rupesh Mehta: The question is like how many machines we can manufacture.

Vinay: Yes. Means if we do like hundred machines a month. And if we debottlenecking and capacity expansion solution, how far will we be able to reach in next six months?

Rupesh Mehta: It will gradually increase if you maintain 100 average this year since your holiday also comes in the middle. If we keep per day 4 machines capacity, then it will be cut in Diwali 20, then you will pull it in holidays or by overtime or in the night. So overall suppose 100 machines average. And then next financial year some backward integration and supply chain management and vendor development we are working with it. So definitely next financial year we will reach 15% to 25% growth.

Vinay: Sure thank you sir. We will take the next question from Digant. Digant you can unmute and ask.

Digant: Hello sir. The market which we are catering, What will be the market share of China's imports in the market

Rupesh Mehta: **No. It is the other way round.** there is an Indian company that exports 250 machines per annum. Our products which are India's that are reliable, the better is performing very well and according to the Indian market, it is very cheap. So China's products are expensive and not reliable.

because in China [Indiscernible 1:03:57] show inside China and turn to local Chinese, then there is no guarantee that it will work or not. Then this business of China. Taiwan, is making good machine in the world and if we talk about these big countries, who make very high-end machines and they also do big turnover. I think by acting like a very big MNC and like a GDP of a small state. SME countries in which Japan is followed by Germany and Taiwan is followed by India and less Italy, 5 to 6 countries in the world are best South Korea. South Korea is second number and there is a company in US. Their production is 10 to 15 times higher than India's production, because they are focusing on world market.

China is not threat for us. And all these countries that I talked about, the country's price almost double as compared to India's products. And these people who make India's machines, they make very basic machines, turning and vertical machine center, in that there is 4th axis, 5th axis upto INR2 crore machines. So higher end features market of India is niche, but if we develop that market too then India's export role will big in future. It is open for us because the export of India is not less than 1%.

If you want to export then you will have to make their servicing according to the capacity and that country then that too will have to do a huge establishment. And one Indian company has participated in Chinese language -- in China with Chinese shop and sale and with best in India China with Chinese programming till the time. India is sending to China and China's machine does not come to India. In fact we are selling there.

Digant: The reason was that by the time I asked, then a news came when your con call started there is a lockdown due to COVID in Lanzhou China, where there is a huge market of machine tooling.

Rupesh Mehta: Who owns export business they get the benefit. Taiwan will get benefit, rest companies will get benefits. But India does not focus on the exports. And we Indian Machine Tools Association in our Meeting states that if you do not have the strong establishment, you must have got one or two machines through exhibition or website. Like we have also exported in U.S. in UK in Italy in Germany that is fine for one or two machines.

But if you need to export on regular basis, your establishment should be proper. You have service centers, staffs, well trained people because it is service industry. You will have to provide training and service. If you don't, then brand India will damage. In future when India will do a huge capacity then, brand India should not be damage. So we strictly reject, all players, because unless you have a huge establishment, don't give try for export to any country.

Digant: Okay. Thank you so much sir.

Moderator: Thanks, Digant. We'll take the last question from the KV.

KV: Mr. Rupesh Congratulations. You said that, your sales people are always busy making offer, talking with customers. How much is your strength, and how much will increase in future in salesforce.

Rupesh Mehta: We have around 115 sales and service people. Service in free time they will also get the incentive. At the customer end, while they do repairing, they also ask them if there is any inquiry or any needed. Because they also get benefit. Like sales executive gets incentive per machine, same as service guy get.

So directly indirectly whole team works in inquiry generation and deal closing. So around 115 people today in sales and service. And in my opinion we want to increase 5% to 10% each month and we are doing. So in future it will increase. Because average 30 machines has one service head this is my thumb rule. The city which installs 30 machines, will get one service head. And if you want to take more market share then you have to add 10% every month (average one person per 10 persons)

KV: Very good. Where is your biggest market?

Rupesh Mehta: All markets are bigger, but where constructions is bigger that's our biggest market. India's number one consumption is NCR. Next consumption is Pune, and some cities like Aurangabad, then Mumbai diamond gold

standard vertical machining center, there are many names for plastics moulds, that require vertical machining center. Rajkot.

Talking about three figures per month installs, more than 100 machines installs cities include Rajkot, Chennai, Coimbatore, Pune. So Macpower market share in all those areas obviously should be hometown, and that is Rajkot number one. After that we have internal competition in which we sort out number one number two number three, so it rotates.

But number one always remain Rajkot. Because it is hometown, customer come easily here, visits plant, trial, training. So for them it is better than outsider company. And they will get benefit because they don't get much tension to get spare, delivery, and trial, I am also accessible to them and also all the seniors are accessible

Service is easy and fast, because any city you have 10 service team, but here you have 500 people of entire plant are available. So this benefit nearby geographical to customers. So always number one Rajkot in terms of bookings, rest cities competition who is second and third. And for that we also awarding each month.

KV: ACE, LMW, BFW, bigger companies or older companies are based on Bangalore. So how much is your south share?

Rupesh Mehta: My south share is low. Coimbatore and Chennai my share is fair, because we have business partners there. We have own office in Chennai. So depending on the market size of south our market share is low, because local players are having more share. And for us, for customers there is also issue for reach, distance is high.

So our focus on south is low, except Bangalore, Chennai and Coimbatore. But in Coimbatore we have our business associate who is very strong. And their face value and their big establishment. So not much that of total business in south, we get 10 to 15 machines as booking. And if I talk about Rajkot we get 30 to 50 machines bookings per month. So we have to penetrate south's in future.

KV: Okay sir. All the best to you.

Rupesh Mehta: Thank you.

Vinay: One question has come on the chat. What benefit the company will get on higher commodity prices? Means if your steel prices go higher, does the company get any inventory gains?

Rupesh Mehta: No, inventory gains we do on pass on. Inventory is bigger, then the customer order pending we do not do 4 extra. We do not get that benefit. And our pending orders to our suppliers, if we take together not much that effect. Because we want numbers and I work on numbers rather than profits.

So inventory is big, we charge extra to customers till we have material. So it's not huge loss and not huge profit.

Vinay: And the second question comes. Is the margin sustainable? Is this margin maintained or improved?

Rupesh Mehta: In my opinion as I calculate, as I understand, my understanding not by market understanding, I'll tell you if 70% is my material cost so 15% should be my cost direct indirect and 15% EBITDA before depreciation or before tax. Still my understanding is my consumption of material is 70% and through backward integration, profitability increases 1% to 2% to 3% we have to do that. By increasing turnover and backward integration and by premium in cost, I believe that as I spend direct indirect, my EBITDA estimate will increase. It would certainly sustain but at certain level by turnover increasing and through backward integration I would like to increase it further

Vinay: Next question comes from Mr. Sarveshwar on the chat. How will the company be benefitted from the PLI schemes, new PLI schemes, government benefits the industries? How will we stand to benefit?

Rupesh Mehta: I think it will definitely help us to get the more and more orders. But as always discuss, order is not a challenge for the future for growth. Our challenge is manufacturing of component with good quality. So definitely order book will increase. That's not my focus.

Order will come. Still we are not working that aggressively in some sectors. Because what will do by taking these huge orders. Some competitors with larger capacities have 2000 orders, and we are saying 600-700. So we can also. If you understand Macpower, our sales and service and product basket as our competitors have, all of those things. In fact under that profile some products we have that they don't.

So we have all the product basket. We have people all over the place, as they have. Still we are not working that aggressively. We are beating them product basket, quality, distribution network we have establishment all over the place, Ludhiana, Chandigarh, so to speak. If you have one digit players, Macpower's establishment is everywhere. We give them neck to neck fight. But inside production, he is way ahead of us, which I have to do. future challenges for me are Production and Productivity

Vinay:

Last question from my side. You have declared interim dividend this time 5% of face value. Has company made any policy or thought process regarding dividend payout?

Rupesh Mehta: This time as you are aware that due to last year corona we were not able to work 6 to 8 months. As all are aware, due to a specific request from government, we worked in lockdown also. The threats emerged before nation on March 2020 regarding PPE Kits and Virus entering the kits, so seam sealing machine was not there in India SIDBI and Ministry of Industries approached Rajkot Collector and requested to find a company who can make such a machine. So we got the opportunity to work in Lockdown., 100 people get a chance to work. We built India's first Seam Sealing Machine, built it in its CSR fund and developed in just 12 or 13 days at very low cost.

The collector gave us a lot of help, they also provided us the logistics. Our vendors were in the Udaipur, Delhi also snatched the permit to open them and we made and sold them quite a lot of machines. And after that we have made N-95 mask fastest machine of India 50,000 masks per day. At that time there were no business. Lockdown, everything closed. We have done this.

More than the revenue generation, it was our country's need per day 50,000 readiness. Raw material used inside it costs INR100 called [Indiscernible 1:19:15]. Raw material cost is INR100 and at that time it costs INR4,000. At that time, we have also made fabric making machine. Till there in my readiness. If you surprised if you original ISI branded, N-95 of Macpower, still we are selling it still good revenue but reasonable price, it's original production cost is only INR2, which is sold at INR200. We produced per day 50,000.

Even today, this mask Amazon and various online selling platform Macpower mask. If you have a chance to look at it, it has been a good journey for us. We have generated revenue in pandemic and work for the country. Because one who makes machine tools can make aircraft, can make all the things. Machine tools people can make anything, such expertise is developed.

We were unable to make revenue last year because of pandemic. But we have suggested internally 7% to 10% of profit because for future growth CapEx, we do not want to take debt. Still we agree a good gesture keep 7% to 10% total profit dividend.

Vinay:

Okay. So you mean, from now on 7% to 10%, of profits you will distribute as dividend to shareholders.

Rupesh Mehta: Yes, As per accepted my request to the board.

Vinay: Okay. Sir that was the last question for the day. We'll end the conference call here now. On behalf of Kaptify, thank you all for participating on this call. And I thank the management of Macpower CNC Machines for giving us their valuable time. Thank you everyone. And you may disconnect now.

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