Manaksia Coated Metals & Industries Limited
Corporate Identity Number : L27100WB2010PLC144409

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Sec/Coat/071/FY 2024-25 Dated : 15.11.2024

The Secretary
BSE Limited
New Trading Wing,
Rotunda Building,
PJ Tower, Dalal Street,
Mumbai- 400001
Scrip Code: 539046

The Manager
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block "G"
5th floor, Bandra Kurla Complex,
Bandra East,
Mumbai- 400051
Symbol: MANAKCOAT

Dear Madam/Sir,

Sub : Transcript of the Earnings Conference Call on Un-Audited Financial Results of the Company for the quarter and half ended September 30, 2024

In continuation to our Letter dated November 11, 2024 and pursuant to Regulation 30(6) and Regulation 46(2)(oa) read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Conference Call on Un-Audited Financial Results (Consolidated and Standalone) of the Company for the quarter and half year ended September 30, 2024, is available on the website of the Company at *www.manaksiacoatedmetals.com.*

We request you to take the same on record.

This is for your information and for public at large.

Thanking you,
Yours faithfully,
For Manaksia Coated Metals & Industries Limited

SHRUTI AGARWAL
Digitally signed by SHRUTI AGARWAL
Date: 2024.11.15 14:23:44 +05'30'

Shruti Agarwal
Company Secretary & Compliance Officer
Membership No. : F12124

"Manaksia Coated Metals & Industries Limited Q2 & H1 FY25 Conference Call"

November 11, 2024

MANAGEMENT:	**MR. KARAN AGRAWAL – WHOLE-TIME DIRECTOR, MANAKSIA COATED METALS & INDUSTRIES LIMITED** **MR. MAHENDRA BANG - CHIEF FINANCIAL OFFICER, MANAKSIA COATED METALS & INDUSTRIES LIMITED** **MR. TUSHAR AGARWAL - SENIOR VICE PRESIDENT, MANAKSIA COATED METALS & INDUSTRIES LIMITED** **MS. SHRUTI AGARWAL - COMPANY SECRETARY AND COMPLIANCE OFFICER, MANAKSIA COATED METALS & INDUSTRIES LIMITED**
MODERATORS:	**MS. NEHA RATHOD – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Manaksia Coated Metals & Industries Limited Q2 & H1 FY25 Conference Call hosted by Kirin Advisors.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Neha Rathod from Kirin Advisors. Thank you and over to you ma'am.

Neha Rathod: Thank you. On behalf of Kirin Advisors, I welcome you all to the Conference Call of Manaksia Coated Metals & Industries Limited.

From Management Team, we have Mr. Karan Agrawal – Whole-Time Director; Mr. Mahendra Bang – Chief Financial Officer; Mr. Tushar Agarwal – Senior Vice President and Ms. Shruti Agarwal – Company Secretary and Compliance Officer.

Now I hand over the call to Mr. Karan Agrawal. Over to you, sir.

Karan Agrawal: Good afternoon, all. I welcome all of you to the Conference Call for Manaksia Coated Metals & Industries Limited.

Before we delve into our H1 FY25 Performance, I would like to start with a brief introduction about our Company. Manaksia Coated Metals & Industries is one of the leading producer and exporter of coated steel products, boasting over 15 years of industry experience. We specialize in pre-painted galvanized steel and galvanized steel production available in both coil and sheet forms. Our operations are supported by two advanced manufacturing plants, 4 branch offices, 5 strategically located stockyards, service centers, which ensure efficient production, distribution, and customer service nationwide.

Our product range includes pre-painted steel sheets and coils and galvanized steel sheets and coils. The pre-painted steel accounts for 86% of our revenue with a capacity utilization of about 85% and galvanized steel constitutes of 14% of our revenue with a capacity utilization of 75%. In the first half of FY25, domestic sales accounted for 66% of the total sales volume, while the export sales made up for 34%. The sales quantity for pre-painted steel and galvanized steel in total reached an all-time high of 46,669 metric tons for the first half of the year.

In the first half of the financial year, our Company achieved key milestones, including an upgrade to a three-star export house status recognized by the Ministry of Commerce Industry and Government of India. This status is valid for five years and positions are strongly for expanding our export marketing initiatives. We also strengthened our banking relationships with the help of an upgrade in our external credit rating, which currently stands at A minus, and it is helping us garner strong interest from large PSU and private banks for further strengthening our working capital resources. We secured a major European contract worth Rs. 200 crore for supply of 20,000 metric tons of pre-painted steel over the course of 12 months. This prestigious contract was signed as early as September 2024. And it is with prestigious European clients for supply of premium pre-painted steel products to developed European countries, such as Germany, Netherlands, Czech Republic, Romania, Poland. Over and above this export order, we also have our regular export orders, which also form a separate export order book of roughly about Rs. 120 crores.

This particular agreement supports full utilization of our continuous galvanizing line and upgrades, which is expected in Q4 of FY25. And it marks a strategic step towards our European market presence.

I would like to speak about few financial highlights:

In the first half of the current financial year, our Company delivered strong financial performance on a consolidated basis showcasing both growth and efficiency. Total income for the first half of the year was Rs. 371.98 crore. Our EBITDA rose by a handsome 11.79% amounting to Rs. 28.63 crore with an EBITDA margin expansion of 81 basis points, now standing at 7.7%. The net profit witnessed a substantial surge reaching Rs. 5.35 crore, which is a remarkable increase of 150% from the previous year. The net profit margin also improved considerably, increasing by 87 basis points, reaching to 1.45%. Furthermore, our earning per share soared by 118%, now standing at Rs. 0.72 per share.

In the first half of the current fiscal, our standalone financial performance was also significant. Total income for the first half of the year was Rs. 371.93 crore, EBITDA increased by 7% to Rs. 28.58 crore, with the EBITDA margin expanding by 7.36%. The PAT surged by 140.69% from last year, making it Rs. 5.47 crore, resulting in a PAT margin of 1.48%, which is up by 86 basis points.

In the first half of Financial Year ‘25, the Company generated Rs. 243.74 crores from domestic sales, representing 66% of the total revenue, while export sales contributed Rs. 124.95 crore, which represent 34% from pre-painted steel products. Revenue grew by 14.18% year-on-year with a total volume increase of 23.74% over the first half of last fiscal. This reflects the Company's focus on maximizing the production and sales of value-added products. A significant portion of the revenue came from pre-painted steel and it was followed by a second galvanized steel.

The Company's focus continues to be a good balance between domestic and export markets. And even in the second half of the year, our focus would continue to be on export largely and on maximizing the sales of value-added products like pre-painted steel. Our Company is advancing strategic expansion efforts to reinforce our steel industry position. We plan to boost our galvanizing line capacity from 1,32,000 metric tons per annum to 1,80,000 tons per annum by the fourth quarter of the current fiscal. And along with this capacity enhancement, we are also undertaking an upgrade project from the galvanized steel production to now Aluzinc steel production. This would be a major step in the transformation of the Company and the future growth of the Company because Aluzinc is a premium, modern, high-end value-added steel product, which is currently being manufactured only by 4 companies in India today and has a great deal of demand pan India because it is the preferred choice of products by all OEMs and end users who are using value-added steel in construction of factory sheds, warehouses, airports, railway stations, metro stations, home appliances, heating, ventilation, air conditioning end use and, etc., This forms Phase 1 of our expansion plan, which should get concluded in the fourth quarter of the current fiscal and will allow us to transition from conventional galvanized steel product to modern and high-end Aluzinc steel product. This product also has a large commercial advantage where the Company will end up saving raw material cost due to the nature of aluminum being part of the alloy being coated on top of steel.

Aluminum would form 55% of the coating mass of the alloy and would help in saving a great deal of raw material cost since it will be replacing expensive zinc. Along with this saving on the raw material side in the cost of production, it is also important to note that Aluzinc steel is a premium product which is absorbed in the market as a premium high-end steel and is sold at a much higher price realization per ton. The end customer today is willing to pay a premium of more than Rs. 6,000 per ton for Aluzinc steel over conventional galvanized or prepainted galvanized steel and thus making it a very, very lucrative and attractive product for producers like us to enjoy a much higher EBITDA margin and a PAT margin.

Today, our Company is earning an EBITDA margin of 7.7%, which stands at around Rs. 6,300 per ton. And with addition of Aluzinc as a product, this has the potential to go as high as Rs. 11,000 per ton, which would be a big transformation and would reflect about a growth of 50% in EBITDA margins, as early as Q4 of the current fiscal and full stability from Q1 of the next fiscal. Along with this project, we are also adding capacities for our downstream value addition by adding a second coil coating line to produce pre-painted Aluzinc steel where we would be expanding our capacity from 86,000 metric tons per annum to 2,36,000 metric tons per annum. This value addition is essential in order to cater to the growing demand of pre-painted or color-coated Aluzinc steel.

The project of addition of the second pre-painted steel line would be Phase-II of our expansion plan and would be entered into in the next financial year with a target of completion by Q4 of the next fiscal. This would allow the Company to have a total capacity of 2,36,000 tons of production and sale of premium pre-painted Aluzinc steel products, which would command EBITDA margin of anywhere between 10.5% to 11.5%. The Company's growth path is clear. We are focused on transitioning from galvanized to Aluzinc steel and to focus on enhancing and upgrading our margins and to enter the value-added steel product needs of the country, which is growing day by day due to infrastructure growth, due to urbanization, and due to the growing demand of the middle class and upper middle class for commodities, for FMCG, for home appliance, for automotive etc.

Along with these growth plans, the Company is also investing in sustainable energy by replacing conventional state grid power to solar-captive power. The Company will be investing in a solar power plant of between 8 to 9 megawatts for replacing the conventional power with renewable power. This will save a great deal of power cost for the Company and have cost reduction to the extent of 70% of the current power cost.

In summary, our strategic expansions, technological investments, and sustainability measures positions us strongly for growth, enhanced product quality, and a greener future.

Thank you once again for your presence and continued support.

Now, I request all of you and would like to open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question comes from Sandy Mehta from Evaluate Research. Please go ahead.

Sandy Mehta: The Rs. 200 crore European order, when does that kick in? So, you mentioned that the order was signed in September. Your sales during this quarter just reported sales were down. I was just curious when that order kicks in and what sort of margins you are looking at. And if you said that you are going to be shipping that in the next 12 months, that would imply 25% revenue growth for the Company just at one single order. Thank you.

Karan Agrawal: Thank you for your question. Well, the order was signed in late September 2024 and it kicks in immediately effective October 2024. So, the impact of this order would be seen right from Q3 onwards, where we have already started executing the order. Hence the impact of this order would be directly seen in the incremental export sales that the Company would be achieving in Q3 and Q4 of the current fiscal. And it's also pertinent to mention that although the order is stipulated supply within 12 months, but due to great deal of demand for the product, we are already in talks with the customer to in a way execute this order in 3-4 of the actual agreed timeline. So, probably within nine months of starting the date of the order agreement. On the other hand, you asked the question about margins. So, the order which would be shipped in Q3 and Q4 of the current year would continue to be the same product which is galvanized and pre-painted galvanized steel. So, the margins would not be as close as Aluzinc, which is a much higher margin product, but it will be much better than the margins that we have been seeing while the Company has been selling these products in the domestic market largely. So, one can expect increase in margins from 7.7% to at least 9% or 9.5% on the export order. Also, I would like to put in a remark while you said that the sales have dropped. Yes, the revenue has dropped, but the quantitative performance of the sales has actually increased. It is the nature of the steel commodities prices easing out in the last 4 to 5 months, which has resulted in a revenue decline. But on a quantitative side, the Company has managed to actually sell a higher quantity in terms of per metric tons sold.

Sandy Mehta: And you talked about the new capacity coming on in Q4 this year. And there's a mixed shift happening that's positive. You have exports that's also positive. Looking into next fiscal year, so the year starting in April, with this new capacity, can you talk about what is your revenue capacity then at that point? And then what would be a sort of normal margin level for next fiscal year or even the year thereafter, the overall margins for your Company, net margins 1%-1.5% are not very high. Can you just talk about what sort of margins you expect in the next 1 or 2 years? Thank you.

Karan Agrawal: With the addition of Aluzinc product by say February of 2025, or let's say a stable production from Q1 of the next fiscal, we would have an Aluzinc capacity of 1,80,000 metric tons for the full year of FY26. So, even if you were to, let's say given indication, let me tell you that last financial year we produced and sold 90,000 metric tons of galvanized steel on a capacity of 1,30,000 tons, which would now be an installed capacity of 1,80,000 tons. And we would definitely, I think it would be fair to assume that we would be touching at least 80% to 85% capacity utilization. So, I think one can possibly project the revenue growth on those lines where we are going from 90,000 tons production to 80%-85% of 1,80,000 tons production. So, it's a significant jump in total sales, in quantity and revenues for a higher value added product like Aluzinc. On the margin front, as I mentioned in my opening remarks, Aluzinc product is in a strong position to change the complete margin scenario or the profitability scenario for the Company, where we are expecting the EBITDA margins to grow anywhere between 40% to 50% from the existing level. And the Company does not plan to take any significant debt or is possibly going towards a lower interest rate regime and a lower finance cost regime. So, the impact on the downright PAT numbers would be significant with EBITDA expansion of 40% to 50% from the existing levels.

Sandy Mehta: Just one last thing. So, at some point you are looking at Rs. 1,500 crores revenue base and probably your EBITDA margin well over 10%. At some point, you are going to achieve that run rate in the next 1 or 2 years, it sounds like. Thank you, last question.

Karan Agrawal: I think definitely the numbers are indicating the same direction, absolutely right. There is no doubt about it. We have to try our best in managing our capacity utilization at high levels and running the plant efficiently, which we have been doing. And if we are able to do this, I don't think there's anything that's stopping us to achieve those kinds of numbers.

Moderator: Thank you. The next question comes from Varun from Equitree Capital. Please go ahead.

Varun: A couple of questions from my end. If you would firstly give us a status on Aluzinc, how much CAPEX has been done till now and even if you can give the guidance for this year, what kind of growth will you achieve in revenues and bottomline?

Karan Agrawal: On the Aluzinc project, Varun, we are scheduled to achieve commissioning by February of 2025. So, we are in advanced stages of the project and it's a total project of around Rs. 40 crores. So, more than half of the capital, the required capital has already been invested. And when I say advanced stages of the project, meaning all the equipment has already been ordered and deliveries of the equipment have already started. So, sometime around January, we will start the upgradation physically after receiving all the equipment. And hopefully with a three-week, 3-to-4-week max transition phase, we will be able to start the production of Aluzinc by February mid or late February 2025. On the current year's numbers, well, like I said that we are obviously trying to achieve the highest possible export numbers in Q3 and Q4. We have a strong and healthy export order book of above Rs. 320 crore as on date. So, I think overall, even though the commodity prices have softened, we feel we will be on track to achieve a topline growth of between 10% to 15% on the minimum side, and a bottomline growth of anywhere between 30% to 35% on the minimum side.

Varun: And who are the competitors in Aluzinc and also if you can throw some light on the demand outlook for this product and why only there are a few players like what are the entry barriers or how is Manaksia different? What is the key USP of Manaksia and so wanted to understand if the competitive intensity can increase?

Karan Agrawal: Surely. The competition in India for value-added flat steel products is extremely limited. The market is very, very consolidated with only 4 players currently being present in Aluzinc manufacturing in the country. They are the names such as Tata Steel, JSW Steel, APL Apollo, so on and so forth. But there are only four such companies that are catering to a very large indigenous market which is anywhere between 4.5 to 5 million tons per annum in terms of domestic demand. Plus you have obviously all the export demand that the Indian mills are catering to and we are catering to. The installed capacity of Aluzinc today in my view, even if you consider all the recent CAPEX is done, should not be crossing more than anywhere between 3 to 3.5 million tons per annum. So, there is a drastic gap between demand and supply, which would continue to support premium pricing, premium realizations for the product and would definitely be beneficial for our Company.

Varun: So, demand is around 4.5 in the domestic market?

Karan Agrawal: 4.5 to 5 million in that range, sir.

Varun: And how is Manaksia different? And these guys can also increase their capacity, right, going forward?

Karan Agrawal: I think one can imagine that the growth of infrastructure and urbanization in India is really pulling demand drastically in India for steel products, value-added steel products, which is used for factory sheds, infrastructure, for warehousing, cold storages, refrigerated trucks, insulation, heating, ventilation, air conditioning, bus bodybuilding, etc., So, demand is actually growing at about 20% per annum CAGR. But the capacity enhancement is not happening at that pace. Like I said, there are a few mills that are producing this product. The rate of capacity addition is definitely there, but it's not at the same pace of demand expansion. So, India is still importing a great deal of this product from developed countries like Korea, Vietnam, Japan, etc., And you also asked about entry barriers. I think there are a few obvious entry barriers, that these sort of value-added steel products have a capital barrier. Today, let's say a replacement value for a plant like ours is nothing lower than Rs. 300 crore for any green field investment which is, I feel a decent enough capital barrier. Along with that, I think the experience, the legacy of having OEM customer base and export customer base is also a barrier because it's not a pure commodity which can be just sold in the Steel Mandis or the Loha Mandis like TMT rod or angle channel kind of products which are very low value added steel products. So, with this kind of scenario, I feel we are placed in a quite a comfortable position.

Varun: Can these competitors reduce the prices? Like can there be a pricing war kind of thing and that can in the future impact your overall margin?

Karan Agrawal: See, in economics, everything is possible, but we have to consider what is the real situation on ground. For example, when you talk about steel, long products like TMT, angle channel, wire rod etc., in every state of our country, there are anywhere between 50 to 60 producers. So, on a pan India basis, there would be about 1,500 or 2,000 producers pan India. In steel flat products, there are total producers of 7 to 8 numbers. And amongst them, there are only four producers of high value added steel products like Aluzinc. So, the situation is actually where the pricing is quite controlled. The supply side of the market is quite consolidated. And the producers are earning a decent enough margin, which everybody would like to sustain. So, I feel the situation that you are describing is the extreme end of things going wrong, which does not seem like a realistic possibility.

Varun: And last question, if you can give us the overall order book currently, and also there was an exceptional gain of Rs. 1 crore. So, what was that during the quarter?

Karan Agrawal: Well, the order book today on the export side stands at about Rs. 320 to Rs. 325 crore, which I had mentioned in my opening remarks. On the exceptional side, I think if you could allow me to get back to you on this, I think we will have our Company Secretary share the details on the specifics of this exceptional gain.

Moderator: Thank you. The next question comes from Kapil Ahuja from Equinox Capital. Please go ahead.

Kapil Ahuja: I have couple of questions. First of all, I would like to ask from working capital side, and we have seen that your inventory has been elevated too much. So, what is the reason? Because earlier we are having around 90 to 95 days on an average inventory. Now we are around 120 days of levels. So, what is the reason of elevating the inventory?

Karan Agrawal: So, it's a good question, sir. I think on the inventory side, as we are currently buying our raw material called cold rolled steel coil, we are forced to buy specific SKUs as per the thickness, width, grade of our finished product requirements, which runs into hundreds of SKU numbers. It so happens that as we go into more and more of exports, the requirement of higher SKUs grows. So, this is the reason, while our export order book is growing, there has been an increase in the inventory, but this would definitely come back to the levels that you were talking about. Once we stabilize a higher capacity at the end of Q4 of the current fiscal and we can expect this to become normal.

Kapil Ahuja: And so what is our working capital cycle on an average in a number of days?

Karan Agrawal: About 90 days, 90 to 100 days.

Kapil Ahuja: And my next question relating to the margin, and I can see that we have been lots of CAPEX during 2016 to 19, around Rs. 122 crores. And we have the peak margins as well in 18-19, around 8%-10%. Now the margin has been fallen to 7%. So, what is the reason of decreasing the margin in the past?

Karan Agrawal: The CAPEX that was done at that phase was basically for the backward integration for galvanizing, where we moved from a standalone pre-painted steel producer to backward integrating into producing galvanized steel also, which is the raw material for pre-painted steel. So, that was the CAPEX which was done at that phase. And on the margin side, I think one can only attribute this to the overall situation of galvanized steel being a little competitive in nature. Also the situations which evolved in the last 4 or 5 years, which included COVID and war in Europe, Russia, the spike in ocean freight, which everybody knows about disrupting global supply chains. These were the factors, which would now completely change as we move into the Aluzinc product category.

Kapil Ahuja: So, sir, in case of our order book, so we have passed on the prices on the steel in case it rises?

Karan Agrawal: Yes, we have a pass-through mechanism for the steel prices. Whatever is the increase or decrease on the raw material that we experience is passed through to the customer within a month's time and our value addition or the spread that we enjoy remains more or less consistent.

Kapil Ahuja: And my last question regarding the cash flows that we can see that our CFO, the cash from operation is growing and we are investing in the CAPEX and that is well sufficient. But if we talk about the borrowing, so it is being absorbed by the interest and it is being increased from around big levels and our debt to equity is about around 1.2x. So, what is the reason of increasing the debt and how can we normalize it going forward?

Karan Agrawal: The debt has been increasing on account of the working capital, not on the long term borrowings. But as you said that the leverage situation currently is obviously under our watch. But we are quite optimistic that with further equity raise, we would be able to bolster our balance sheet and make it much stronger for improving the debt equity ratio. And also, I think we'll definitely reduce our borrowing costs with the recent credit rating upgrade and enhancing the efficiencies in terms of capacity utilization and the sales efficiencies with higher exports and lower domestic sales.

Kapil Ahuja: And sir we can also see that there is a good tailwind in the pre-structured engineering building product. So, are we seeing any good opportunity of our product into that segment?

Karan Agrawal: 100% sir. This is what I was talking about in my opening remarks, that the Aluzinc steel production that we will start from Q4 is a very big product, which is consumed by pre-engineered building segment and that is the product of choice for all pre-engineered building companies, right from Interarch to Pennar to Kirby and the likes of these companies for all their building requirements. So, this is a very big opportunity for us.

Kapil Ahuja: So, do we have these kinds of customers in our order book as of now, or are we planning to get?

Karan Agrawal: So, we obviously know all these companies. We have dealings and history of relationship with all these companies. However, currently, since we are not producing Aluzinc, the extent of business is quite limited. As soon as we start Aluzinc production from Q4 of the current fiscal, they will become the priority customers for us with obviously a big chunk of the domestic business going to pre-engineered building segment.

Kapil Ahuja: And then the last question, what is the cost of debt?

Karan Agrawal: The cost of debt currently is hovering anywhere between 9.3% to 9.7% per annum.

Moderator: Thank you. The next question comes from Sangeeta Purushottam from Cogito. Please go ahead.

Sangeeta Purushottam: My question is that how much CAPEX has gone into the upgrade of production to Aluzinc and the expansion of capacity. And how much more CAPEX are you likely to do in future? So, if you could give me the CAPEX number for 25 and whatever may be planned for 26 and 27?

Karan Agrawal: The CAPEX which is required for the Aluzinc project is Rs. 40 crore. And the CAPEX required for the second pre-painted steel line is about Rs. 50 crore. So, the total capital outlay for FY25 and FY26 is around Rs. 90 crore for the expansion projects of Aluzinc capacity enhancement and the second pre-painted steel line.

Sangeeta Purushottam: And of the Rs. 90 crores, how will this be spent? How much will be spent by end of 25 and how much will spill over to 26?

Karan Agrawal: I would say 50-50.

Sangeeta Purushottam: And after this, are you going to have any further CAPEX?

Karan Agrawal: Well, see the Company has its growth plans and blueprints for growing it to a level of 3 lakh ton capacity as a manufacturer of value added steel products from a current capacity of 132,000. So, we're talking about a 3x growth in terms of production capacity, volumes, topline,, etc., For all of these envisaged plans, there will be CAPEX needs over and above the CAPEX that I have mentioned in FY25 and 26, which would involve some backward integration projects and some horizontal integration projects. So, those are obviously not planned for FY25 and '26. And we are obviously planning our expansions and CAPEX one after the other and not all at the same time because we want to manage it well efficiently and in a safe and controlled manner. So, I would say that we have plans to, let's say, grow our Company 3.5x of what we are today. And for that capital outlay will definitely be needed in FY27-28 as well.

Sangeeta Purushottam: And what is your turnover to capital ratio? And so for this Rs. 90 crore expansion, how much incremental turnover will we get? And how much more would you need to invest in working capital for that additional turnover?

Karan Agrawal: On a CAPEX of Rs. 90 crore, ma'am, we can expect additional turnover of anywhere in the range of between Rs. 500 to Rs. 700 crores depending on the commodity prices and the capacity utilization. And the working capital, the additional incremental working capital required for this would not be more than I would say about Rs. 65 to Rs. 75 crores.

Sangeeta Purushottam: How is that? Because if you have incremental turnover of Rs. 500 crores and the working capital cycle is about 90 days, right?

Karan Agrawal: Yes.

Sangeeta Purushottam: So, about 25% of your turnover will go into working capital also, won't it?

Karan Agrawal: I agree. But the current working capital facilities that we have from banks, they're not fully used. So, considering that we have...

Sangeeta Purushottam: I am not talking about how you will finance it. I am just saying what will be the incremental working capital because eventually for that additional turnover, you have two types of investment, your CAPEX as well as your working capital, right? I am just trying to gauge that. So, on a Rs. 90 crore CAPEX, we get Rs. 500 crores of additional turnover potentially, maybe more. I am just being conservative. And on that we would need about Rs. 125 crores of additional working capital, right?

Karan Agrawal: About Rs. 100 crore because we are also foreseeing a reduction in the working capital, the time, because we will be moving into a scheme of things where we are getting larger orders from bigger customers. So, the number of SKUs would tend to reduce and our per order size will increase. So, probably Rs. 100 crores would be the max number.

Sangeeta Purushottam: Understood. And you expect your margin going forward from FY26 to sort of stabilize in the 10% to 11% range for the Company as a whole?

Karan Agrawal: Absolutely. This is on the conservative side I am talking because the potential for enhancing the sales price realization is much higher, but this is something that we expect for the first year of performance.

Sangeeta Purushottam: And how are you thinking about debt equity because another participant also mentioned that debt equity levels are a little high. What kind of debt equity or debt to EBITDA are you comfortable with? How are you thinking about it?

Karan Agrawal: We are very clear about our strategy in terms of how we want to fuel our growth. We are not inclined to add any debt on the long-term side. The long-term investments or CAPEX needs will be fueled by equity. And on the working capital side, we are going to use our existing banking facilities and probably add on to the bare minimum additional working capital needs via banks. So, I don't think that the leverage ratio would become worse. It would only improve in favor of the balance sheet of the Company. And I think equity is definitely our preferred route of fueling our CAPEX.

Moderator: Thank you. The next question comes from Anuj Chavan from Aarii Ventures, please go ahead.

Anuj Chavan: Yes, so I just wanted to follow up on the first question. So, you are mentioning a Rs. 320-crore export order book, and then you are also taking Rs. 200-crore existing orders, which we have. So, then I just wanted to know what was the nature of these orders? Would we consider these as repeat orders? Or are these new customers we are penetrating? And then what type of payment terms do you have in these orders?

Karan Agrawal: I had some difficulty in understanding your question, but I think I got a gist of it. The order book that we have typically is from long term customers who are repetitive in nature. On the export side, they are all repetitive and all OEM customers who are direct end users of the product. They are customers who have been associated with us for the last anywhere between 6 to 12 years in terms of legacy. And we do business with companies in Europe with very good credit rating. And all the export orders are backed by secured instruments such as letter of credit. So, they're all secured payment terms. On the domestic side, also our order book consists of, let's say, 50% order book from OEM and the remaining 50% from trade and distribution network.

Anuj Chavan: I just wanted to know, like, how do you manage your hedge against your fluctuations in the raw material prices? Is there any other way which you or if you could just throw some light on it?

Karan Agrawal: The fluctuation in raw material prices is a nature of steel product and the commodity, but in our business, we are having a straight pass through to customers without much need of absorbing the impact of price increases or decreases. The prices change on a monthly basis and we are able to pass through the entire increase or decrease within the same month itself.

Anuj Chavan: And then one of the entry barriers which we have mentioned, like a strong OEM customer base, then is this what you have already covered when you explained the export orders, like the repetitive orders which are mapped? Is this what you wanted to imply when you said you need a strong OEM customer base?

Karan Agrawal: So, strong OEM customers are prevalent in the export order book as well as the domestic order book. In exports, we are exporting to European OEMs. In the domestic market, we are selling to Indian OEMs and MNC companies who are having their manufacturing basis in India who are multinationals like the OEMs who are catering to LG, Whirlpool, St. Gobain and so many of them. So, yes, I am talking about OEMs in the export market, as well as the domestic market at the same time.

Anuj Chavan: And we do have long term contracts with them, so a stable flow of revenue from them?

Karan Agrawal: We have a regular order book from all such OEMs, which are rotating in nature every quarter, or every month they place orders for supplies to be made in the following quarter or the following month.

Moderator: Thank you. Our next follow-up question comes from Ms. Sangeeta Purushottam from Cogito. Please go ahead.

Andrey: Hi, this is Andrey, Sangeeta's partner. I want to understand the on pre-painted steel tubes. Number one is what are the functional aesthetic advantages that the process of pre-painting confers? And the second thing is that currently, my understanding is that the painted tubes have a 300 basis point margin advantage over your galvanized tubes. Once you shift to aluminum zinc, what will happen to the relative equation between the margin of your pre-painted tubes and your Aluzinc tubes?

Karan Agrawal: So, number one, sir, I would like to correct the fact that we are not producers of tube. We are producers of sheet coil, which are flat. We are far from the tube industry, which is a very low margin kind of industry. So, on the pre-painted side and like unpainted product, there is a gap of margin roughly about 3% in terms of EBITDA level. When you talk about the margin gap between pre-painted Aluzinc and bare Aluzinc, the gap is almost similar to the current situation. The only thing is that the basic product which is Aluzinc itself is commanding a higher EBITDA of anywhere between 40% to 50% as compared to the existing product profile of galvanized and pre-painted galvanized steel.

Andrey: So, between the pre-painted and the Aluzinc, will there be a difference in margin profile, or will it be roughly similar?

Karan Agrawal: It will be different because the pre-painted Aluzinc would command a higher margin as compared to unpainted Aluzinc.

Andrey: No, as compared to painted steel?

Karan Agrawal: The painted steel itself is called pre-painted steel, actually. It's just a technical description of the product. Pre-painted steel is nothing but painted. It is painted by the customer.

Andrey: So, you think the Aluzinc margin will be higher than the pre-painted steel?

Karan Agrawal: The Aluzinc margins are much higher than the pre-painted galvanized steel, yes.

Andrey: And I am just going back into repeating the question that one of the previous participants have said in terms of you have at this point of time a supply demand gap for the products that you sell. But if I were to ask a customer as to why is he buying from you and not from JSW or Tata Steel, etc., what would he say?

Karan Agrawal: Steel is obviously a commodity that has a geographical, let's say, importance of the location. We are present in Kutch, Gujarat as the manufacturing facility. So, we are port-based. That is why our impetus is also higher for exports. We are one of the lowest cost exporters due to the location that we have. We are able to source our raw material within the state and nearby states and import it from low cost origins and export it also at a very low cost since we are port based. We have access to close by ports like Kandla and Mundra, which are the biggest in the country, which have the lowest cost of logistics, freight, vessel availability, etc., which puts us in a superior position when it comes to export market. As far as domestic market is concerned, obviously, today a customer who is based in Gujarat, Rajasthan, Madhya Pradesh, which are our home state and neighboring states, would have an advantage while buying from us due to proximity, due to logistics, due to our presence, our distribution presence, and reasons like these. Similarly, if somebody is present in West Bengal, they would have similar advantages while buying from Tata Steel because they are based in Chhattisgarh, Jharkhand, etc., So, I would say, see, the product technology itself is superior and similar to what Tata Steel, JSW Steel and Manaksia do. There's not much difference in the technology when it comes to the product itself. But there are other factors when it comes to what the location is, what is the price expectation. Obviously, we are more competitive in terms of pricing our product for the finished, for the end customer. So, many such factors come into play for an end customer who is taking a buying decision. Also, importantly, the likes of large companies have difficulties in catering to niche customers, lower MOQs, faster delivery timelines, all of which is not a problem for us and we are actually quite comfortable and that is one of our specialties for customers who want low MOQs, faster deliveries, niche product, customized products,, etc., for which we definitely have an edge over the large Mammoth mills.

Andrey: Right. Now, my last question was regarding your ROCE. My understanding is that your current ROCE is somewhere around 15%-16%. Now, if you talk about your CAPEX in two phases, one is the immediate CAPEX that you are doing of those Rs. 50 crores, Rs. 40 crores, etc., which will happen in about a year's time. And the rest of the CAPEX that you are planning is somewhere let's say F27-28. So, if I were to track the ROCE trajectory which I am calling Phase-I, and after CAPEX Phase-II, what would you all conjecture on this ROCE be?

Karan Agrawal: So, the CAPEX is first of all distributed in FY25 and FY26, the CAPEX of around Rs. 90 crores.

Andrey: If I call that CAPEX Phase-I, which is happening the next year or so, at the end of that CAPEX, what would you expect your ROCE to go up after you settle down obviously production, etc.

Karan Agrawal: I mean, with the projections that we have on the topline and the bottomline, the profitability figures that we have and the margin figures that we have, which we are quite damn sure about it, we feel that the numbers should definitely improve towards the low 20%-ish numbers after the Phase-I.

Andrey: And after Phase-II, F27-28, do you have any...?

Karan Agrawal: After Phase-II, what would happen is that we would have a cold-rolling complex which would allow us to buy a raw material called hot-rolled steel and drastically reduce our SKUs from today's 100-150 SKUs down to let's say 2 or 3 SKUs. So, the inventory cycle will sharply reduce from the current level of 120 days to as low as 30 to 40 days. This will have a very big impact on ROCE since the amount of money required to churn the revenue for the whole year would drastically reduce. We feel if everything goes as per plan, this ROCE potentially has the ability to touch numbers of 30 plus percent in case we are able to do things right with our Phase-II and III expansion plan.

Moderator: Thank you. The next question comes from Mahendra Parmar who is an individual investor. Please go ahead.

Mahendra Parmar: My question is follow up question. What is the plan of equity dilution and how much percentage will be diluted equity?

Karan Agrawal: We are currently looking to raise equity for our CAPEX needs. And the total dilution post-money would be anywhere in the range of 14% to 15% near about that number if we are able to successfully raise the capital via equity.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Ms. Neha Rathod for closing comments.

Neha Rathod: Thank you everyone for joining the conference call of Manaksia Coated Metals and Industries Limited. If you have any queries, you can write us at research@kirinadvisors.com. Once again, thank you everyone for joining the conference.

Karan Agrawal: Thank you all.

Moderator: Thank you. On behalf of Kirin advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.