

Sec/Coat/100/FY 2024-25

Dated : 15.02.2025

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 Digitally signed
by SHRUTI
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AL Date: 2025.02.15
18:04:29 +05'30'

Shruti Agarwal

Company Secretary & Compliance Officer

Membership No. : F12124

“Manaksia Coated Metals & Industries Limited Q3 FY- 25 Earnings Conference Call”

February 13, 2025



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 AGRAWAL – SENIOR VICE PRESIDENT,
MANAKSIA COATED METALS & INDUSTRIES LIMITED**

MODERATOR: **MS. SAMIKSHA RAMTEKE – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9-month FY25 Results Conference Call of Manaksia Coated Metals & Industries Limited.

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. Samiksha Ramteke from Kirin Advisors for the opening remarks. Thank you and over to you ma'am.

Samiksha Ramteke: Thank you. On behalf of Kirin Advisors, I welcome you all to the Conference Call of Manaksia Coated Metals and Industries Limited.

From Management Team we have Mr. Karan Agrawal – Whole-Time Director, Mr. Mahendra Bang – Chief Financial Officer and Mr. Tushar Agrawal – Senior Vice President. Now I handover the call to Mr. Karan Agrawal. Over to you sir.

Karan Agrawal: Good afternoon. Esteemed ladies and gentlemen, I extend a warm welcome to all of you who have joined us today for Manaksia Coated Metals & Industry Limited earnings call. We will discuss our financial and business performance for the third quarter and nine months of financial year '25. Before we dive into the specifics, let me take a moment to provide a brief overview of our company and its business model. At Manaksia Coated Metals & Industries Limited, we take immense pride in being one of the leading manufacturers and exporter of coated steel products. Our product portfolio primarily includes pre painted galvanized steel and plain galvanized steel in both coil and sheet forms, catering to industries such as construction, automotives, appliances and general engineering. We operate with a strong commitment to quality, innovation and customer satisfaction. Our state-of-the-art manufacturing facility in Kutch, Gujarat plays a pivotal role in our operational efficiency. With proximity to major ports like Kandla and Mundra, we have a logistical advantage that enhances our ability to serve both domestic and international markets efficiently. With two manufacturing plants, four branch offices and five stockyards and service centers. Our nationwide presence ensures seamless supply chain management and timely delivery of high-quality products.

Now let me take you through our financial performance for the reported quarter and completed nine months of the current year:

Our Q3FY25 consolidated revenue grew by 17.68% quarter-on-quarter to Rs. 207.83 crores. Driven by strong demand and higher sales volume, PBT surged by 113.26% quarter-on-quarter to Rs. 6.71 crores, reflecting improved operational efficiency and margin expansion. While net profit increased by 111.93% quarter-on-quarter to Rs. 5.01 crores, reinforcing our commitment to profitable growth. Our EBITDA rose by 22.25% amounting Rs. 17.25 crores with an EBITDA margin expansion of 103 basis points now standing at 8.30%. Our EPS for Q3FY25

improved by 13.56% year-on-year to Rs. 0.67. For standalone Q3FY25 net profit witnessed a substantial surge reaching Rs. 5.08 crores, a remarkable increase of 109.12% from the previous quarter. The net profit margin also improved considerably reaching to 2.44%. For nine months ended FY25 PBT rose by 72.29% year-on-year to Rs. 13.88 crores and net profit grew by 67.61% year-on-year to Rs. 10.35 crores, showcasing sustained financial strength and EPS increased by 54.44% year-on-year to Rs. 1.39, highlighting consistent earnings growth.

This quarter also marked significant production growth with production of galvanized steel rising by 10.34% year-on-year and pre painted steel production increasing by 32.40% year-on-year. The strategic shift towards high value pre painted steel continues to be a key growth driver with its revenue share increasing to 75.10% in Q3 of FY25 which is up from 61.40% in Q3 of FY24. This is further strengthening our top line and margin expansion.

Exports remain a key growth pillar and I am happy to report that our Q3 export revenue increased by 87% year-on-year to Rs. 96.73 crores. The contribution of exports to total revenue has grown significantly rising to 41% in Q3 of FY25 from 25% in Q3 of FY24. Our landmark export order of Rs. 200 crores coupled with a strong Rs. 350 crores export order book underscores our growing global presence and credibility.

To support our long-term growth, we have successfully secured Rs. 134.55 crores in fresh equity capital which will be strategically deployed for capacity expansion, technology upgradation and debt reduction. Our ongoing Alu-Zinc technology upgrade will further strengthen our product offerings ensuring enhanced durability, corrosion resistance and competitiveness in the market. Additionally, in line with our commitment to sustainability and cost optimization, we are actively working on land acquisition for a captive solar power plant. This initiative will reduce our energy cost significantly and help in minimizing the carbon footprint from our production process.

Looking ahead, we are well positioned to capitalize on emerging opportunities in the coated steel segment. We are in advanced stages of installation and upgradation of our Alu-Zinc coated steel capacity line to 1 80,000 tons per annum. Groundwork for our Phase 2 expansion for enhancing the pre painted steel capacity to 2,36,000 tons per annum has also started and we are confident of achieving this milestone within FY26. These capacity enhancements will further strengthen our ability to meet growing market demand, improve operational efficiency and drive long term value creation. With a strong foundation in place, we remain committed to expanding our product offerings, enhancing quality and maintaining our leadership position in the industry.

I would like to take this opportunity to express my sincere gratitude to our dedicated team, valued customers and esteemed shareholders for their unwavering support and trust in Manaksia Coated Metals & Industries Limited. We remain committed to driving operational excellence and long-term value creation. With this I now invite questions from investors and thank you very much for your time and continued support.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone phone. If you wish to remove yourself from the question queue you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Again. Participants, you may press star and one to ask a question now. Our first question comes from the line of Jayraj Jain, an individual investor. Please go ahead.

Jayraj Jain: So, tell me, how does the current 350 crores export order book compared to previous period and what regions are driving the demand?

Karan Agrawal: Yes, Mr. Jain, thank you for your question. Well, the export order book currently which is Rs. 350 crores is on a higher side currently on account of the recent landmark export order that we bagged which was a single order of Rs. 200 crores. This was done during Q3 of the Financial year and typically we see a position where our export order book is full for a period of about 3 to 6 months, in that range where the value of export order book should be anywhere between 175 to 200 crores. But due to this large value, export order in hand, currently our export order book is standing at Rs. 350 crores. Answering your question about what is driving the demand. Well, I would say multiple factors, today on the export side the European market is the main market that we are catering to in terms of our finished goods which we are exporting. And we are seeing a revival in many pockets in Europe where in Eastern Europe we are seeing big surge in demand due to the rebuilding activities in Ukraine. And for this there are many buyers who are buying building material such as galvanized and pre painted steel from Indian market and other supply markets which consist of galvanized and pre painted steel products. Apart from that there are pockets of growth happening in Eastern Europe, in Southern Europe, in countries such as Spain and Italy which is seeing robust industrial growth where we are also having a big customer segment and consistent long-term customers in those countries which are supporting our export business. So, I think these are the main reasons where we are seeing robust export demand.

Jayraj Jain: Okay, the next question I have is could you provide an update on the Alu-Zinc technology upgrade project and how will it enhance product offering?

Karan Agrawal: Absolutely. So, the Alu-Zinc technology upgrade and the capacity expansion that we are doing will lead to about 35%-36% of capacity enhancement for us where upon completion we will be able to produce about 1,80,000 tons per annum on of Alu-Zinc product. And currently the project is in advanced stages of completion and we are quite confident that this line will start generating revenue in the first quarter of the coming fiscal. So, by this I mean anytime in the next let's say 75 to 90 days is we are quite positive of achieving well within this timeline. On the product side, Alu-Zinc is definitely a much more superior product due to its superior corrosion resistance properties, better aesthetic properties and lower weight in terms of the coating mass which is required to achieve higher protection. Due to these reasons the product

is much superior for an end user and for a producer, it is superior since it leads to good extent of margin expansion.

Jayraj Jain: I see. So, the last question I have is what are the expected benefits of the captive solar power plant project in terms of cost savings and sustainability?

Karan Agrawal: On the benefits of the captive solar power plant sir, it is obviously very clear that today the cost of solar power plant solar power is way lower than conventional grid power. So just to give you an example on the grid power that we are purchasing, it is costing us anywhere between Rs. 9 to Rs. 10 per unit depending on peak, non-peak hours. Whereas the cost of the solar power, depending on the investment being done can range anywhere between Rs. 2 to 3 a unit. So, the saving is drastic and leads to a direct and immediate impact on the bottom line of the company. And you know, this is obviously apart from many other benefits which are on account of, let's say reduced carbon footprint and being eligible for a greener product, a more cleaner process and things like that. And of course, yes, the company would be eligible to enjoy the government incentive of accelerated depreciation as well.

Jayraj Jain: Okay, well thank you, that's it from my side.

Karan Agrawal: Thank you.

Moderator: Thank you. A reminder to all the participants, if you wish to register for a question, please press '*' and '1' on your touchtone phone. The next question comes from the line of Abhishek Sharma from JY Capital. Please go ahead.

Abhishek Sharma: Sir my question is what's what percentage of your exports cater to the European market and are there plans to expand into new international markets?

Karan Agrawal: Sure. Well, the European market consists of very high percentage of our exports which is currently at upwards of 90%. And yes, we do have ambitions to grow our presence in other continents for export. We are aggressively looking at the Americas which consists of the North and South American regions for exporting our Alu-Zinc product in the near future. Because there is a great amount of demand for Alu-Zinc and pre-painted Alu-Zinc in those regions. And we feel that it would be the next right move for us to expand our presence in the global market.

Abhishek Sharma: Okay, so my next question is can you elaborate on the product mix strategy especially with the rising share of pre painted steel?

Karan Agrawal: Sure. So, for the immediate future let's say our share of pre-painted product versus the unpainted product would be anywhere in the range of between 75% to 80% of the total production. This is obviously because the higher value addition we do which is by doing color coating or by producing pre painted, the margins or the value addition is higher as compared to the interim product which is galvanized or bare Alu-Zinc in the near future. In Phase 2 of our expansion strategy, we are adding a second color coating line which will enhance our pre

painted capacity in line or higher than the Alu-Zinc capacity. When that situation comes sometime during the later part of FY26, at that point of time definitely one can expect a situation where all of our production and sales is happening only from the pre painted steel product.

Abhishek Sharma: Okay sir, that's it from my side. Thank you.

Karan Agrawal: Thank you.

Moderator: Thank you. Next question comes from the line of Priya Jain from Green Capital. Please go ahead.

Priya Jain: Hello sir, excited to hear about the solar power plant project. Could you provide an update on the expected commencing timeline and key milestone achieved so far?

Karan Agrawal: Sure. So, the solar power plant, it has been on the drawing board stage for some time. But now there is some amount of clarity on the government policy which was undergoing some changes from the Gujarat government side or captive solar power plant installations. Now that the policy is clear, we are now actively doing our due diligence on the identified land parcels that we have already identified with in consultation with our EPC partners. Along with that, negotiations and comparisons of various proposals of EPC installers are in process. In terms of completion, like I have mentioned in my opening remarks, FY26 will definitely see this project being commissioned. But I can say sometime during Q2 of FY26 is a reasonable expectation.

Priya Jain: Also, sir, could you share more details about the export contracts mentioned? Especially who are the counterparties involved and what agreements have been finalized by Manaksia?

Karan Agrawal: I'm sorry, what was the last line you asked?

Priya Jain: Basically, if you can name who are the counterparties involved and what are what agreements have been finalized by Manaksia?

Karan Agrawal: Well ma'am, actually due to obvious reasons of confidentiality and protection of our own business interest, I would not be able to disclose the name of the party that we have contracted with. However, I can disclose that this is an arrangement that is going to last a period of 12 months, within which we have to complete the entire order. And it is with our existing long-term customers in Europe to whom we are supplying galvanized and pre painted steel products. And after continuous relationship with them for over 5 years, we have reached a point where they have shown their confidence and strength in the relationship to bless the relationship with such a large value order. Most of the order, let's say 80% of the order consists of supply of pre painted steel products and about 20% of it consists of supplying of galvanized steel products. All of it is going to the European market to our existing customer with whom we have signed the order.

- Priya Jain:** Is it FOB or how it is?
- Karan Agrawal:** Typically, most of our exports, I would say 9 out of 10 orders are on a CFR or a CIF basis where the exporter, which is us, we take care of the FOB cost, the ocean freight up to the discharge port in the European market.
- Priya Jain:** Like galvanized do you mean or Alu-Zinc?
- Karan Agrawal:** I'm sorry, I'm not able to hear you clearly.
- Priya Jain:** So, is it like galvanized you mean or Alu-Zinc?
- Karan Agrawal:** No. The current order that we have signed, like I said, of this 200 crores value is having an option to supply galvanized or Alu-Zinc. Whenever we have successfully converted our line, upgraded our line to Alu-Zinc, we can switch the production to Alu-Zinc and continue supplying under the order with the underlying Alu-Zinc product.
- Priya Jain:** So, what is more profitable or value wise better?
- Karan Agrawal:** Alu-Zinc is definitely a more profitable product for a producer. And we are quite sure that when we are able to switch to Alu-Zinc technology from our side, after the upgradation is complete, we will be able to see the benefits and the dividends from this upgrade. The nature of Alu-Zinc is such that aluminium consists 55% of the coating mass whereas in galvanized it is 100% zinc and in Alu-Zinc it is 55% aluminum and 43.5% zinc. So naturally the cost of aluminum is much lower than the cost of zinc which helps reduce the raw material cost and gives the benefit of low-cost production to the producer.
- Priya Jain:** Thank you, sir. Good to know. That's it from my side and all the best.
- Moderator:** Next question comes from the line of Ankur Parekh from Bajaj Holdings. Please go ahead.
- Ankur Parekh:** See I'm an investor in personal capacity and that's where I'm coming from. I just wanted to understand that with such a huge fundraise that you have done, what is your expected ROE-ROCE that will be generated over a period of 2-3 years? Is there any kind of extraordinary revenue generation that you are expecting because of this capital deployment and all? Just if you can throw some highlights on that, please.
- Karan Agrawal:** The current fundraise that we have done is basically going to help us in three ways. One is obviously completion of our projects that are under commissioning, which is the Alu-Zinc project. The second is the solar power plant project. Another way that the fundraise is going to help us is to reduce our debts and reduce our finance cost in the company. And of course, it is going to help with additional working capital that is required to utilize the enhanced capacity that we have installed. So, this fundraise is quite critical to elevating our overall profitability, which will automatically result in a much higher or uplifted return on capital or even the return

on equity. As and when we are able to get the capacity utilization at a reasonable level, which is higher than 75%-80%, I think the benefits in terms of your bottom line will be quite significant. When I say quite significant, we are expecting a very handsome enhancement in the bottom line due to the cost saving of the raw material and the enhanced realization per ton of the finished product. Definitely we will be seeing much better ROCE and ROE numbers to give you exact projections, I would seek some more time and probably we can get back to you through our IR arm.

Ankur Parekh:

Sure, no problem. Thank you.

Moderator:

Thank you. A reminder to all the participants, if you wish to register for a question, you may press '*' and '1' on your touchtone phone. The next question comes from the line of Pooja Gupta, an individual investor. Please go ahead.

Pooja Gupta:

My question is how is company positioned to leverage the rising demand for coated metals in construction, automotive and other industries?

Karan Agrawal:

The company is basically in the market to sell its products to these end users, which is building material and construction industry, to your appliance industry, which consists of industrial and home appliances and also to a part of the automotive industry which consists of bus body building. With our investments in increasing the capacity, we are very well positioned to capture the enhanced demand that the country is going to see on account of the GDP growth and government initiatives and also hopefully the reduction in the benchmark interest rates, which is all going to help increasing demand of all these items. We are very well positioned to capture the opportunity.

Pooja Gupta:

Okay, sir, my next question is could you provide insight on the pricing trend and raw material cost affecting the coated steel industry?

Karan Agrawal:

The pricing trend as such for steel products has been, let's say, from flattish to negative in that range. This is because of obviously oversupply in China, overcapacity in China and also due to reduction of raw material costs such as iron ore and coal and coking coal. I feel that given this current situation of volatility and wars going on in the Middle-east and Russia-Ukraine, also due to some protectionist measures being envisaged by the Trump administration, the prices of steel and other similar commodities should be stable and we do not expect any major jump or hike in the price of steel for the foreseeable couple of quarters.

Pooja Gupta:

Okay, sir thank you very much for answering all questions.

Moderator:

Thank you. Next question comes from Mahesh Seth, an individual investor. Please Go ahead.

Mahesh Seth:

So, my first question is that how does the current Rs. 350 crores export order compares to earlier period?

Karan Agrawal: I think I've answered this question to the first caller, but I will still say it once again. Typically, we see export order book of between one to two quarters in hand. So, our export order book typically is anywhere in the range of Rs. 175 to 200 crores in hand in most periods of time. But due to this landmark export order that we have bagged of a very large value, currently our export order book is at Rs. 350 crores.

Mahesh Seth: Okay, and can you also tell me that what regions are driving this demand?

Karan Agrawal: This is also something that I answered to the first caller. The reasons for drive in this demand is because we are seeing a significant amount of growth in certain pockets of Europe where we are seeing in the Eastern European side good growth happening due to the rebuilding activities in Ukraine and good GDP growth in certain Eastern European markets along with a very stable and growing market for industrial goods in Southern European countries like Spain and Italy where we have long term customers.

Mahesh Seth: Okay, got it. And can you also tell me what are the expected benefits of the capital solar power plant project in terms of cost saving and sustainability?

Karan Agrawal: Captive solar power plant project has a direct impact on the cost saving since the solar power is much more cost efficient in terms of, the generation cost is zero, but the effects that is done for the solar power plant results in cost per unit of anywhere between Rs. 2 to 3 per unit including the transmission cost. This is at least a third of the grid power cost. So, it is having a direct and immediate impact on the bottom line of the company and in terms of sustainability also it is definitely much cleaner and much greener form of renewable energy. And it helps in us being eligible to move our product to green steel and lowering our carbon footprint on the product which is going to help our export customers.

Mahesh Seth: Okay, got it. And can you also provide an update on Alu-Zinc technology upgrade project and how will it enhance the product offering?

Karan Agrawal: The Alu-Zinc project, like I mentioned before, is in advanced stages of completion and we are quite confident of achieving, commissioning and the start of revenue generation from this project from Q1 of FY26. And the product offering will also become superior since Alu-Zinc as a product inherently is a much more superior product in terms of corrosion resistance, aesthetics and in terms of performance on account of the rust prevention and other climatic effects on the steel substrate. So, it is going to benefit us because we will be able to cater to high value-added industries like pre-engineered building and sandwich panel segment which are widely using Alu-Zinc product today.

Mahesh Seth: Okay, got it. Thank you, sir. That's it from my side. Thank you.

Moderator: Thank you. Before we take the next question a reminder to all the participants, you may press '*' and '1' to ask a question. The next question comes from Priya Jain from Green Capital. Please go ahead.

- Priya Jain:** Hello sir, I have a follow up question with me. How will the solar plant commencing happening phase wise or just wanted to like understand whether it be our ownership on lease model?
- Karan Agrawal:** Again, your voice was not very clear but from whatever I understood ma'am, I think you're asking what is the kind of ownership model that we are going to have on the solar power plant? Is it?
- Priya Jain:** Yes sir.
- Karan Agrawal:** Right. So, for this the company will be acquiring land and we'll be doing the CAPEX using a mix of debt and equity and will be owning the entire asset and that will be the model that we will be having. Only your O&M part will be outsourced to professional contractors who take care of the O&M part.
- Priya Jain:** Okay. So, have we finalized the land parcel?
- Karan Agrawal:** Like I mentioned in my remarks, multiple parcels of land have been identified. The process of due diligence is currently on where we will identify the right land parcel which is most suitable in terms of the yield and in terms of the cost and will be finalized very shortly.
- Priya Jain:** But if you can share but how much time it will take to install and?
- Karan Agrawal:** One can fairly estimate the completion of this project by Q2 of FY26.
- Priya Jain:** Okay, fair enough sir. It will supply to grid, right?
- Karan Agrawal:** Absolutely. In any captive solar power plant, the supply has to be made to grid and the company whoever is the consumer needs to purchase that power from the grid itself.
- Priya Jain:** Okay, so thank you so much for explaining. All the best.
- Karan Agrawal:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Swaraj Singhania, an individual investor. Please go ahead.
- Swaraj Singhania:** My first question is how do you plan to mitigate the raw material price volatility while ensuring stable margins?
- Karan Agrawal:** Well, thank you for your question. Our raw material is basically procured largely on a back-to-back model where we are booking our orders from export customers and OEM customers and then proceeding with booking the raw materials required against the order bookings that we have made. So, in essence by the nature of our business model which is largely back-to-back,

we are always protecting our margins by following this model. There is a certain exposure to a spot market which could be, let's say 20%-25% of the business volume. But this gets protected since the exposure time is not too large between the buy and the sell. It happens within the same month. So, the volatility that we are exposed to is not more than say a month or one and a half month max and largely 75% to 80% of our business is back-to-back.

Swaraj Singhania:

Okay.

Moderator:

Swaraj sir, you have any further questions?

Swaraj Singhania:

No, sir. That's it from my side. Thanks.

Moderator:

Thank you. A reminder to all the participants, you may press '*' and '1' to ask a question. As there are no further questions, I would now like to hand the conference over to Ms. Samiksha Ramteke for closing comments.

Samiksha Ramteke:

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

Karan Agrawal:

Thank you all.

Moderator:

Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.