



Date: 8th November, 2023

Ref: TRIL/SECT/2023-24/NSE-BSE/COMPL/88

To, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Security Code : 532928	To, National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051 Trading Symbol : TRIL
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Dear Sir/Madam,

Sub: Transcript of Earning Conference Call held on 3rd November, 2023

In terms of Regulation 30 and 46 read with Clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we send herewith the Transcript of the Earning Conference Call with analysts and investors held on 3rd November, 2023.

Please take the same on your record.

Thanking you,

Yours faithfully,

For Transformers and Rectifiers (India) Limited

**Rakesh Kiri
Company Secretary**

Encl.: As above

T & R is one of the leading manufacturers of a wide range of transformers globally. Today T & R is second largest Transformer manufacturing company based on Capacity in India. It has capability to develop world class power, distribution, furnace and specialty transformers with world class infrastructure at three plants around the city of Ahmedabad (Gujarat, India). T & R is managed by a highly skilled and experienced team of approximately 1200 employees, who consistently ensure that each and every activity factors in an adherence to high quality benchmarks established by the organisation.

CIN No.: L33121GJ1994PLC022460

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“Transformers & Rectifiers (India) Limited Earnings Conference Call”

November 03, 2023



**MANAGEMENT: MR. SATYEN MAMTORA – MANAGING DIRECTOR,
TRANSFORMERS & RECTIFIERS (INDIA) LIMITED
MR. CHANCHAL RAJORA – CFO AND ADVISOR TO THE BOARD,
TRANSFORMERS & RECTIFIERS (INDIA) LIMITED**



*Transformers & Rectifiers (India) Limited
November 03, 2023*

Moderator: Ladies and gentlemen, good day and welcome to the Transformers & Rectifiers (India) Limited Earnings Conference Call.

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. Krishna Patel from Ernst and Young. Thank you and over to you, ma'am.

Krishna Patel: Thank you, Zico. Good evening, everyone. I'm pleased to welcome you all to Transformers and Rectifiers (India) Limited Earnings call to discuss the Q2 FY24 and H1 FY24 financial results. Today from the management side, we have with us Mr. Satyen Mamtora – the Managing Director and Mr. Chanchal Rajora – CFO and Advisor to the board. Please note a copy of the disclosure is available in the investor section of the website as well as on the stock exchange.

Anything said on this call which reflects the outlook for the future, or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risk that the Company faces.

Now I shall hand over the call to Mr. Satyen Mamtora for his opening remarks. Over to you, sir. Thank you.

Satyen Mamtora: Thank you, Krishna. Good evening, everyone. We welcome you all to the earnings conference call of Transformers and Rectifiers (India) Limited to discuss the company's performance during Q2FY24 & H1FY24. We concluded our board meeting today and uploaded the financial results and investor presentation on the stock exchange, I believe you may have got a chance to go through the same.

There are certain recent developments and updates that took place, and I shall begin by highlighting the same. In October 2023, the company successfully raised Rs.120 crore by the way of preferential issue on private placement basis. This infusion brings comfort and confidence on the prospects of the company and in the medium term provides capital support to ensure smooth operations.

Another such positive development is that GETCO has begun releasing the stalled payments from the 3rd week of October in tranches, thereby we expect reduction in receivables to a larger extent in H2FY24.

The order book continues to be strong as on 30th September 2023. Unexecuted order book is to the tune of Rs.2,145 crores with 34% of the orders from central utilities, 11% from state utilities, 40% from industrial customer, 9% from renewables and 6% from export. We foresee renewable

segment as an essential growth driver in the near future. During the quarter, the company received new orders worth Rs 314 crore, growth of 23% YoY basis. Going forward, we anticipate reasonable growth in order inflow. At the moment, tenders and inquiries for domestic market of value Rs 2,741 crore are under negotiation or bidding stage. Export orders of value Rs 994 crore are under various stages of negotiations.

Overall, from an industry perspective, we are optimistic and confident of the growth potential in our product segment. The transformers industry is flushed with orders and demand outlook is positive with end use in various industries viz. Railways, Renewables, Green Energy, Power, etc.

Currently, Indian Railways is moving towards highspeed trains that is leading to increased demand of transformers from 66 kV to 132 kV. Further, demand is increasing from development of freight corridors, metros, etc. Happy to inform that we are one of the first manufacturer of Scott-Connected & V-Connected railway application transformers.

In addition, India is a preferred transformer supplier for US, Europe markets and on-going tensions in Ukraine & Russia has accelerated the transition which is turning out to be in favor for Indian transformer manufacturers. As mentioned earlier, we are participating in export tenders and expect to increase export presence in next couple of years.

Strong demand from high-growth end markets, such as technology and data centers, EV charging networks, and renewable energy will place additional stress on grid capacity and resiliency, and require new, modern transformers. Also, India plans to reach 450 GW of installed renewable energy capacity by 2030, with 280 GW (over 60%) expected from solar power. This itself is a huge opportunity and we see our company playing a pivotal role in this segment.

I would like to highlight that we expect decent infrastructure development in green energy space wherein we are the only transformer manufacturer in Green Hydrogen Energy application in India.

To summarize, in the current industry landscape, the company is positioned advantageously and expects to participate in the growth story of transformer industry.

With this, I conclude my remarks and now I would like to handover the call to Mr. Chanchal Rajora our newly appointed CFO and Advisor to the board for his opening remarks.

Chanchal Rajora:

Thank you, Satyen sir and good evening, everyone. A warm welcome to our earnings call. I shall summarize the standalone financial highlights for the quarter and half year ending 30 September 2023:

During the quarter and half year, the revenue from operations was at Rs 254 crore and Rs 408, a de-growth by 22% and 34% respectively. The decline in revenue was on account of:

- ▶ Non-receipt of dispatch instruction from few customers because of non-availability of their inspection team
- ▶ The company experienced short-term mismatch in working capital that caused delay in execution of certain jobs. Post infusion of funds, we are certain to streamline the operations during Q3FY24

However, in Q2FY24 there is an increase in revenue from operations by 66% as compared to Q1 of the current year.

During the quarter and half year, the EBITDA was at Rs 21 crore and Rs 27 crore, a de-growth by 35% and 51% respectively. EBIDTA margin is at 8.21% in Q2FY24 and 6.52% in H1FY24.

In Q2FY24 there is an increase in EBIDTA in absolute terms by 263% as compared to Q1 of the current year with an EBIDTA margin of 8.21% as compared to 3.73% in Q1FY24.

During H1FY24, export turnover was Rs 22 crore, comprising 5% of the revenue from operations. The company has a customer base spanning over more than 25+ countries.

Unexecuted order book as on 30 September 2023 is Rs.2,145 crore, a growth of 57% over H1FY23.

That concludes an update on the financial highlights of the company. I shall now request the moderator to open the floor for questions and answers session.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nilesh Doshi from Green Lantern Capital LLP. Please go ahead.
- Nilesh Doshi:** First question is that the order book what you have of Rs. 2000 crores, what is the delivery schedule for this order book like until what period you expect this to be delivered?
- Satyen Mamtora:** This is in the span of 18 - 20 months.
- Nilesh Doshi:** The second question is since the first half; we have gone through because of working capital issue. So, by now how much is the amount which we still yet have to receive from GETCO?
- Chanchal Rajora:** GETCO started making the payments in the last week of October only. So, we have a sizable amount pending with them, which we expect to receive in the second half of this year.
- Nilesh Doshi:** The next is that typically we have been doing about Rs 1,100 crores to Rs 1,300 crores revenue last two years, bearing this first half, is it possible to reach that kind of level in this financial year?
- Satyen Mamtora:** We are hoping that we should be touching Rs 1,400 crores this year.

- Nilesh Doshi:** And if you observe your competitors, I think what we have observed is this Q2 result most of them are EBITDA upward of 15% in the transformer division segment. So, do we see us reaching that kind of margin going forward?
- Chanchal Rajora:** Yes, Nilesh we are quite hopeful to reach that margin.
- Moderator:** Thank you. Our next question is from the line of Riken Ramesh Gopani from Capri Global. Please go ahead.
- Riken Ramesh Gopani:** Sir, I just wanted to understand if you look at the gross margin performance in this quarter compared to either the first quarter of this year or the second quarter of last year it's deteriorated. So, while I understand that operating margins are impacted by the leverage given the lower top line, but what has impacted the gross margins during the current quarter versus compared to the last same period last year and Q1?
- Chanchal Rajora:** Riken basically there were certain expenditures which is incurred in this quarter due to the retesting of the certain transformers and that has basically affected our margins in this quarter. So, there are almost 10 transformers of GETCO we had to bring in to test them. This has basically put pressure on EBITDA margin during the quarter to some extent.
- Riken Ramesh Gopani:** But is this what you mentioned the retesting cost, is it sitting in the cost of goods sold line item or is it in the other expenditure?
- Chanchal Rajora:** It will be sitting into the cost of goods sold item because they are directly related to the transformers which has been supplied to the GETCO.
- Riken Ramesh Gopani:** It's sort of fair to say that it's a one-off cost related to these retesting.
- Chanchal Rajora:** Yes, sir.
- Riken Ramesh Gopani:** Could you give some quantification of this retesting cost?
- Chanchal Rajora:** I don't have remember the numbers, but yes, if that would have been not there, we would have been crossing our last quarter EBITDA.
- Riken Ramesh Gopani:** Your EBITDA is better than last quarter, you're saying same quarter last year?
- Chanchal Rajora:** Corresponding quarter I'm talking about.
- Riken Ramesh Gopani:** So, that's a significant quantum is what you're saying?
- Chanchal Rajora:** Yes, sir.

Riken Ramesh Gopani: And sir secondly if you could talk a little bit about the overall opportunity on exports and what is the kind of bids that we have made and what kind of orders do you expect during the current year and what margins do you think you can achieve in the export orders?

Chanchal Rajora: In export market there are three different kind of exports opportunities. One is the opportunity which is coming on the IDT transformer side that is mainly coming from U.S and Europe and this is a huge opportunity which is basically in the pipeline.

Another export opportunity what we have our regular export base what we do in African markets and the Middle East markets and the third is the export opportunity which is coming from the countries like Russia and Ukraine. As of now you see in our presentation also, we have around Rs. 900 crores orders which are under the negotiation, and we expect the sizable amount of these orders are going to be come in the near term.

And apart from that today only we have received an inquiry from another African country for Rs.800 crores odd order. So, that also we expect is a 24-month scenario, but we expect those kinds of orders to keep coming into the system. Our target is to have around 20% - 25% of the order book from the export market in coming next two years' time.

As far as the margins is concerned, the export market margins are much, much higher than the indigenous market pricing vis-a-vis the payment conditions from the exports are better.

Riken Ramesh Gopani: And just lastly in terms of what you see as the execution capability in the current capacity without achieving any CAPEX, could you share that what is the size of top line that we can achieve with our current capacity without any major CAPEX?

Chanchal Rajora: Without any CAPEX, we can reach up to Rs.2,500 crores top line.

Riken Ramesh Gopani: And what's our CAPEX plan if you could outline that also?

Chanchal Rajora: We have a CAPEX plan of Rs. 50 crores - Rs. 60 crores in the next financial year and mainly for the IDT and Green transformer side.

Riken Ramesh Gopani: So, sir let's say if you must take this top line to Rs 5,000 crores from here, what kind of CAPEX do you think you would have to put up?

Chanchal Rajora: We haven't evaluated that much as of now. We are going step by step. First, we wanted to reach to the first milestone.

Moderator: Thank you. Our next question is from the line of Mihir from Carnelian Capital. Please go ahead.

Mihir: Sir, largely wanted to understand on the GETCO side and we have started to get payments from the end of October. So, I mean, will we start getting the orders also from GETCO. I mean that was my first question and when should one see that happening?

- Satyen Mamtora:** So, GETCO we are currently working on getting the stop deal revoked, it shall take some time. So, maybe another month or so and we are hopeful that there will be some clarity on this stop deal.
- Mihir:** Second question was on the Rs 2,100 crores of pipeline which is there, so does this include the international number of Rs 900 crores?
- Chanchal Rajora:** Rs 900 crores is the orders which are under negotiation. It is not in our order book.
- Mihir:** But you are also in tender pipeline of Rs 2,100 crores. right?
- Satyen Mamtora:** Rs. 2,741 crores is domestic market, and Rs. 994 crores is export market.
- Moderator:** Thank you. Our next question is from the line of Gunjan Kabra from Niveshaay. Please go ahead.
- Gunjan Kabra:** I wanted to ask that sales guidance provided in the last quarter was also to grow with respect to Q3 FY23, but why is it that non receipt of dispatch instructions from few customers that you guided to a degrowth in revenue with respect to Q2?
- So, is this few customers, is this GETCO only or any other customers, how many customers are there here and what is the value that does not get dispatched this quarter which you expected to get delivered in the next quarter?
- Also, this is also the time sir when the transformer sector is doing so well. So, wanted to understand why is it so they are not getting dispatched or if you can explain it.
- Chanchal Roajora:** First of all, there is no GETCO delivery instructions in these orders. Secondly, let me explain to you that there is good demand in transformer industry, but what happened there is a process of dispatching the transformers and before dispatching the transformers there is always a customer inspection, once the inspection is done, then only that transformer is clear for dispatche.
- During Q2FY24, a few transformers were made, but since the inspection team was not available and the site was not clear and that is the reason, the transformer has not been lifted by the clients and those are basically will be lifted in this quarter i.e. Q3FY24.
- Gunjan Kabra:** So, I was saying sir that last quarter also this was one of the reasons for the sales getting declined. So, is it and if you can quantify what's the quantum of this order which has not got dispatched within this quarter?
- Chanchal Rajora:** Around Rs. 40 crores- Rs. 50 crores.
- Gunjan Kabra:** Sir, I wanted to know that last quarter also there was a problem of dispatch from few customers. So, is this the same customer or if you can quantify the same thing?

- Chanchal Rajora:** No, ma'am. These are the different customers. This is basically a normal phenomenon in the industry, and it just keeps happening ma'am.
- Gunjan Kabra:** My second question is on margins. You guided it to be in the double digit number this year, but this quarter also because of the retesting cost the margin were proportionately down. So, how do you see this moving forward in the next quarter if you can highlight maybe and the guidance that you gave of Rs 1,400 crores this year, which eventually means that Rs 1,000 crores in the next two quarters. So, when we do Rs 1,000 crores does the EBITDA margins also improve with respect to that and do you think we'll be able to do these Rs 1,000 crores in the next two quarters
- Chanchal Rajora:** Ma'am as MD sir has just said in the last question, we are quite hopeful to achieve that and if we achieve that, the EBITDA margin will be improved. I don't want to comment on what percentage we will be achieving it, but EBITDA will be certainly improved.
- Moderator:** Thank you. Our next question is from the line of Riken Ramesh Gopani from Capril Global. Please go ahead.
- Riken Ramesh Gopani:** Sir, I just had one follow up which is just trying to get some color on the current order book if we compare to what you have been achieving in terms of gross margin in the recent past, how are the incremental orders in terms of margins and if you could give some color in terms of how the pricing environment and given the current demand environment are we seeing any improvement in the overall margin structure from the current order book, vis-a-vis the order book that you had maybe one or two years back?
- Chanchal Rajora:** Riken, the present order book what we have is basically based on the RM factors which is much, much better than what we had in the past and that that will add up into our margins as compared to the previous years. And if you see my presentation the combination of the clients or buyers what we have my dependability is reduced to the state utilities where we had less margins, and it has increased to the industrial customers and the central utilities where our margin factor is much better . So, we hope that this will add up into the bottom line in the time to come.
- Riken Ramesh Gopani:** So, it's fair to say that the gross margins themselves have a potential to improve and over and above that you will see a positive operating leverage. So, that should drive very meaningful improvement in your operating margins?
- Chanchal Rajora:** You got it right Riken.
- Moderator:** Thank you. Our next question is from the line of Mahendra Jain from Way to Wealth. Please go ahead.
- Mahendra Jain:** Sir, as you are saying like within a month or two, we will resolve the stop deal order from GETCO. So, can we expect anything from GETCO side, any announcement like that or where we are standing in the case of that inspection and how many transformers are yet to be delivered

to GETCO.. Secondly, related to this, has the stop deal affected our new business and post this issue, what orders have we received?

Satyen Mamtora: There is only one transformer to be delivered to GETCO that has not yet been dispatched and we are yet to manufacture that transformer also, and I think within a month and a half, they will issue a circular that the stop deal has been revoked or something like that, but they will not be making an announcement.

Once they give us the revocation letter, we shall make the announcement that GETCO has revoke the stop deal. Apart from that, there is no other business hindrance we have faced post the stop deal notification..

Chanchal Rajora: Mahendra just to elaborate little bit, post the GETCO stop deal we have received substantial amount of orders from the central power utilities.

Mahendra Jain: Are they doing the re inspection to our transformers and how they will be satisfied in a month like what process we are doing?

Satyen Mamtora: All the inspections have already happened. There is only 500 MVA, which is going to be re-inspected now otherwise re-inspections have already happened and they are satisfied with the performance of the transformers.

Moderator: Thank you. Our next question is from the line of Siddharth Shah from MK Ventures. Please go ahead.

Siddharth Shah: Sir, my question is on the order book order pipeline you mentioned that there are domestic orders of Rs 2,700 crores and exports of Rs 900 crores in pipeline. So, anything you can guide on what kind of order inflow we'll see in second half because we are planning to execute Rs 1,000 crores in terms of revenues, or will the order inflow be higher than that? How will it be?

Chanchal Rajora: If you see in last two quarters, we have received orders worth around Rs.700 crores which is added up into my unexecuted order book., We are around 20% to 25% of the domestic order size and export orders to be materialized.

Siddharth Shah: So, that makes it equates to around Rs 1,500 crores to Rs 1,600 crores of order inflow in next six months?

Chanchal Rajora: We are basically targeting around Rs. 2,500 crores order book by end of this financial year.

Siddharth Shah: My second question is on GETCO, so on how much is the balance amount to be received you will see that most of this amount will be cleared by in the second half. How much is the receivable amount which is due now after what you received in the month of October?

- Chanchal Rajora:** Siddharth, as I informed earlier GETCO has just started releasing payments from the last week of October , let's say after 20th Oct they have started and they have just released around Rs.33 crores so far and balance is all in the pipeline and we expect that substantial amount of this will be released during H2FY24.
- Moderator:** Thank you. Our next question is from the line of Anil Thakkar from Jalansh Advisors. Please go ahead.
- Anil Thakkar:** I just wanted to know the fund-based facility available, and its current utilization fund based, and non-fund based?
- Chanchal Rajora:** Anil, we have fund-based limit of Rs. 163 crore and presently it's almost 100% utilized and we have non fund based limits of around Rs 650 crore which is majorly used for the bank guarantee purpose and the balance is used for the raw material procurement.
- Anil Thakkar:** So, after this preferential issue we would have received the funds and that it was used in the working capital and still fund based is also currently 100% utilized, is that correct?
- Chanchal Rajora:** Yes, sir.
- Moderator:** Thank you. Our next question is from the line of Bijay Shah from TL investment. Please go ahead.
- Bijay Shah:** My question is since we have already raised money, we are also expecting GETCO payments. So, how do you expect interest costs to trend in the second half of this year and what is likely interest cost for FY25?
- Chanchal Rajora:** Mr. Shah if you see that even in Quarter 2 our finance cost has gone down and coming in back to your question, we are basically expecting a substantial decrease into the finance cost in H2FY24.
- Bijay Shah:** But can you give some idea that what kind of cost, because it is very difficult for us to calculate because there will be lot of cost which are related to bank guarantees which will not be able to figure out?
- Chanchal Rajora:** Bank guarantee and LC is going to be remain there. The substantial reduction what we are expecting is in the bill discounting side because of the working capital limits. We had to use the bill discounting facilities to pay off to our suppliers, which was somewhere around 10.5%, to 11% and we are basically expecting that will go down drastically.
- Bijay Shah:** So, maybe next year the finance cost will be in between Rs 30 crores to Rs 40 crores?
- Chanchal Rajora:** Yes sir.

- Moderator:** Thank you. Our next question is from the line of Mihir from Carnelian Capital. Please go ahead.
- Mihir:** Sir, I wanted to understand the working capital on the export side. I mean how are the working capital terms on the exports business and second question was on the order book, out of the current order book how much is the exports, how much is domestic and how is the raw material cost across both of these divisions of exports and domestic in the order book?
- Chanchal Rajora:** As far as working capital cycle is concerned into the export order, it is much better than the domestic market because most of the export payments are either on the advance or LC side and we have better margins in the export orders as compared to the indigenous orders.
- As far as share of exports in the present order book is concerned, you can see in our presentation it is around 6% of the total unexecuted order book.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session. As there are no further questions, I would now like to hand the conference over to Mr. Satyen Mamtara for closing comments.
- Satyen Mamtara:** Thank you everyone for being part of our earnings call and participating in the call. Thank you for your support in us. We wish all of you Happy Diwali and Saal Mubarak. We hope we have been able to address most of your queries. In case of further queries, you may reach out to our investor relation advisor – Ernst & Young and they will connect with you offline.
- Moderator:** Thank you. On behalf of Transformers & Rectifiers (India) Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.