

DISA India Limited

Transcript of 37th AGM held on August 12, 2022

- **Mr. Prasanna Bairy – Company Secretary, DISA India Limited:**
- Welcome to all the shareholders, Directors and the other invitees to the 37th Annual General Meeting of DISA India Limited. A very good morning to all of you. Since Ms. Deepa Hingorani, Chairperson of the company has expressed difficulties in participating and conducting this meeting, duly proposed by a shareholder and duly seconded by another shareholder, Mr. Bhagya Chandra Rao, Independent Director may chair this Annual General Meeting.
- **Mr. Bhagya Chandra Rao – [Chairman] Independent Director, DISA India Limited:**
- Good morning, ladies and gentlemen. Mrs. Deepa Hingorani, Chairperson of your company could not join today's meeting due to some personal exigencies. Hence I, Bhagya Chandra Rao, Independent Director, Chairman of Audit Committee and Nomination and Remuneration Committee will act as the Chairman for today's meeting.
- I have the great honour and privilege to welcome all of you to this 37th Annual General Meeting being held through video conference. On behalf of the board of directors of the company I extend a very warm welcome to all of you to this 37th AGM. I hope you and your families are taking necessary precautions to remain safe and healthy during the ongoing Covid 19 pandemic. In view of the disruptions caused by Covid 19, the Ministry of Corporate Affairs and SEBI have permitted the companies to hold the AGM through video conferencing or other audio-visual means until December 31, 2022. Accordingly, the 37th AGM of your company is being held through video conferencing. I have been informed that the requisite quorum is present for this meeting. I call the meeting to order. Participation of members through VC is being reckoned for the purpose of quorum as per the circulars issued by MCA and as per Section 103 of the Companies Act 2013. This meeting is being held through VC in accordance with the circulars issued by the MCA and SEBI. MCA and SEBI circulars dispensed with the requirement of despatching the physical copies of the Notice and annual report 2021-22 for this AGM. Hence the Notice of the meeting along with the Annual Report has been sent electronically to all the eligible Members who had registered their email ids. I, therefore, Ladies and Gentlemen, with your permission, take the Notice as read.
- I request the directors who have already joined to raise their hand for identification. Mr. Anders Wilhjem, Director, Mr. Ulla Tonneson, Director, who is just in the process of connecting, Mr. Michael Declan, Director, Mr. Lokesh Saxena, Managing Director. We also have Mr. Amar Nath Mohanty, CFO, Mr. Prasanna Bairy, Company Secretary and the statutory auditors, Mrs. Monisha Parikh, partner of Deloitte Haskins & Sells, they are the statutory auditors, and Mr. Vijaykrishna K.T., secretarial auditor and scrutinizer for this AGM are also present in the meeting. I am sure that all of you have received the annual report and you have studied the same. I now request Mr.

Prasanna Bairy, Company Secretary to provide general instructions to the members regarding participation in this meeting.

– **Mr. Prasanna Bairy:**

– Thank you, sir.

– Dear members, the company has enabled the members to participate at the 37th AGM through the video conferencing facility provided by CDSL in compliance with the applicable circulars issued by the Ministry of Corporate Affairs and SEBI. The members have been provided the facility to exercise their right to vote by electronic means both through remote e-voting and e-voting at the AGM in accordance with the provisions of the Companies Act 2013 and SEBI Listing Regulations. Members may note that remote e-voting was made available from August 7, 2022 - 9 am till August 11, 2022 - 5 pm, that is yesterday. The members joining the meeting through VC who have already not cast their vote by means of remote e-voting may cast their vote through e-voting facility provided at the AGM by CDSL. The company has appointed Mr. Vijaykrishna K.T., Practising Company Secretary as a scrutinizer who will collate the e-voting results of the remote e-voting and the e-voting at the AGM for each of the items as per the notice. Representation under Section 113 of the Companies Act, 2013, has been received from our promoters and few corporate shareholders. Members are requested to refer to additional information provided in the notes to the AGM notice. The Register of Directors and Key Managerial Personnel, the Register of Contracts or Arrangements have been made available electronically for inspection by the members during the AGM. Members seeking to inspect these documents can send their requests to the email id investor.relations@noricangroup.com. As the AGM is being held through VC, the facility for appointment of proxy by the members is not applicable and hence the proxy register is not available for inspection. The company has received requests from a few members to register them as speakers at the meeting. Accordingly, the floor will be open for those members to ask questions or express their views. The moderator will facilitate this session once the Chairman opens the floor for questions and answers. Thank you very much. I hand over to the Chairman to continue with the proceedings.

– **Mr. Bhagya Chandra Rao:**

– Thank you, Prasanna. The company has made all the efforts feasible under the circumstances to enable the members to participate and vote on the items being considered at this meeting. As there are no qualifications in the independent directors' report on the Financial Statements of the company for the Financial Year 2021-22 and in the Secretarial Audit Report, may I take them as read.

– I now request Mr. Lokesh Saxena, Managing Director of the company to highlight on the operations of the company for the year 2021-22.

– **Mr. Lokesh Saxena - Managing Director, DISA India Limited:**

– Thank you, Chairman sir. Good morning to all our shareholders, I welcome you once again and will brief you on the various operational highlights of your company which will be of interest to you as shareholders.

- I need to share the contents so please give me the sharing rights.
- So the first slide is on the Financial Results for the year 2021-22, it is the standalone results for DISA India Limited. Our revenue from operations was 2476.7 million versus 1775.1 million which is a growth of 39.52% over the last year same period. Profit before tax was recorded at 503.3 million versus 315.6 million which is a profit growth of 59.51%. Profit after tax reported as 374.4 million versus 235.6 million which is a growth of 58.91%. If we look at the profit percentage, it has improved from 13.27% of last year to 15.12% in this year. The earnings per share has grown significantly 58.95% from 162 per share to 257.5 per share. The dividend has been declared as an interim in between 1500% and again 100% so it is 1600% dividend which is a whopping increase of 1500% for the entire year. As you can see from the results, we have recorded the highest ever revenues and profits in a Financial Year since the inception of your company in 1984. We have made continued focus on cost reductions across the company, and also improved the overall efficiency and productivity. We have continued our focus on people initiatives, engagement activities and to make them safe on vaccination programs. The focus of the company is on plant consolidation and also synergized the capabilities what we have as DIL in the company in India. We have done initiatives around digitization of our customer operations, so we have done Norican Digital as a part of our key offerings to some of our key customers. We have continued our efforts to expand our distribution network in the country. Primarily we service in aftermarket operations through the distribution network. And now I am proud to say that we have distribution network in 9 locations in India. Exports has been a key focus for our company in last year and we have ventured into new markets of Qatar in Middle East by making a full DISA foundry with a large customer there and also selling in key markets in US, Turkey and Australia through global Norican organization. On the organization side we have reinforced organization with key people especially on customer service area and purchase area. We have made the organization more lean and proactive which has improved the overall productivity of the company.
- As you all know that our CSR program from DIL is focused primarily on the education area where we are trying to provide financial assistance in terms of scholarships to the students. Primarily this is to promote STEM which is Science, Technology, Engineering and Medicine education preferably near our plant location and also for key education segments across the country. We have also done promotion on health care including preventive health and sanitization and disaster management. I am proud to announce to our shareholders that we have supported 509 students in the year 2021-22 through scholarship programs. Part of these programs are running around in both the plants at Tumkur and Hosakote for students starting from 9th to 12th grade. Through NGO Foundation for Excellence, we have done scholarship initiatives for engineering students in Karnataka and Tamil Nadu. And also the new scholarship program which we have adopted about 2 years before with National Institute of Advanced Manufacturing Technology, Ranchi, that has continued in a big way.
- If I see right from the CSR initiatives in 2013 we have partnered with almost 2008 students who have got direct beneficiary program from the scholarship program from DISA India Limited. And the total amount of CSR fund which we have utilized

over the last these years is close to about 38.24 million not only on the scholarship but also on the facility improvement initiatives. For the year 2022-23, we have to spend 8.2 million which will be used for the scholarships on the healthcare initiatives.

- I would just like to give you a small update on the expansion part in Tumkur. This is of course the image of the plant is a depiction of a 3D model. What we have done is we have expanded this plant with operations constructing almost close to 3000 sq.mts. of our overall area within the plant which is going to help us to host some of the activities what we have been doing in other plant which is Hosakote primarily short blasting and filters. And also, we have made our distribution centre much more advanced in a way and also have created an administrative office. So, this activity has been going on for quite some time and we are likely to end these activities sometime in the next month.
- So, this is it from my side giving you some highlights about the operations of the company, thank you.
- **Mr. Bhagya Chandra Rao:**
- Thank you Lokesh, for the operational insights. We will now resume the proceedings.
- There are four items of business, 3 are items of ordinary business and 1 is special business as exhibited in the notice and explanatory statement attached therewith.
- On ordinary business, the first one is to adopt the Audited Financial Statements including the Consolidated Financial Statements of the company for the year ended March 31, 2022, together with the report of the Board of Directors and the Auditors thereon.
- Second item is to declare dividend of Rs. 10 per equity share of Rs. 10 each which means 100% for the financial year ended March 31, 2022.
- Third item to appoint a director in place of Mr. Michael Declan Guerin who retires by rotation at this AGM, and he being eligible offers himself for reappointment.
- Coming to the special business, there is one, to ratify the remuneration of cost auditors.
- The text of proposed resolutions along with the explanatory statements are provided in the notice circulated to the members. The members, who are yet to cast their vote, may vote on the above resolutions. The results of remote e-voting and e-voting during the AGM will be reconciled and the combined results will be declared later on. As per the e-voting rules the results will have to be placed on the website of the company within two working days of the AGM. Since this AGM is being held through VC, we had requested the members to register themselves as speakers in advance. Before proceeding for the e-voting of the resolutions I invite the members to offer comments and seek clarifications, if any, on the Audited Financial Statements and the resolutions contained in the notice. In the interest of time, I request the speakers to be brief and avoid repeating the questions and comments made by the earlier speakers. Each speaker is requested to speak for a maximum period of 3 minutes.

Members are requested to mention their names and their folio ID or client ID before asking their questions. In the interest of time, consolidated reply will be given at the end. Now I request the moderator to unmute the speakers in the speaking order assigned.

– **Moderator:**

– Hello, should I announce the name of the first speaker shareholder?

– **Mr. Bhagya Chandra Rao:**

– Yes, moderator, please go ahead.

– **Moderator:**

– So, first speaker shareholder is Mr. Govardhan Maheshwari. I am just unmuting him.

– **Mr. Govardhan Maheshwari - Shareholder:**

– I hope I am audible.

– **Mr. Bhagya Chandra Rao:**

– Yes.

– **Mr. Govardhan Maheshwari - Shareholder:**

– Thanks for the opportunity. So, I had already shared my set of questions with Mr. Bairy, but I will just kind of highlight a few of them. So, first with respect to the Tumkur expansion, what is the amount that we are spending on this capex, and based on the past interactions my understanding was that the existing capacity that we had, had a potential to kind of generate around 300 crores of annualized revenue. So, with the current expansion, what is the full potential for utilization if you could kind of give us that number. Then there was I think some constraint with respect to availability of land for capex in Tumkur. So how are we kind of doing this capex with the limited space that we have. Then with respect to your order book, in our last AGM you had kind of indicated that around 50% of the order book is non-auto. So, what is the current breakup of order book if you can share in terms of auto/non-auto and within non-auto which segments are kind of contributing? Then with respect to aftermarket sales, what is the share of aftermarket in the current revenues and what is the kind of growth that we are seeing there and if you could kind of you know what is the target that you are setting for let's say FY25 for the next 2-3 years as a percentage of sales for aftermarket. And on exports just wanted to understand you know again what is the potential for exports over the next 2 to 3 years based on the kind of plans that we have for the Middle East region as well as catering to the other, you know, markets. So those were the few questions as well I had of kind of shared the rest of the list with Mr. Bairy so if you could answer those questions as well, thank you.

– **Mr. Bhagya Chandra Rao:**

– Sure, thank you very much. Next speaker please.

- **Moderator:**
- The next speaker shareholder is Aspi Bhesania. I am just unmuting him.
- **Mr. Aspi Bhesania – Shareholder:**
- Chairman sir, can you see me and hear me?
- **Mr. Bhagya Chandra Rao:**
- Yes, we can hear you, go ahead please.
- **Mr. Aspi Bhesania – Shareholder:**
- Sir, I am Aspi from Bombay, thanks for allowing me to talk. I request you to continue with the hybrid AGM next year also when the physical meeting starts.
- [audio cracking] which margin is sustainable - 15 or 17? Sir, you have 190 crores cash on Balance Sheet, so what are your plans for that? You want to acquire any manufacturing unit competitor or what? Sir, lastly after 37 years, our revenue is 256 crores, so when will you expect to cross 500 crores, can we expect in the next 5 years or no. Thank you very much and all the best for the future.
- **Mr. Bhagya Chandra Rao:**
- Okay, thank you, Aspi, we heard you. May I request now the next shareholder to speak please.
- **Moderator:**
- Next shareholder is Mr. Rohit Balakrishnan.
- **Mr. Rohit Balakrishnan – Shareholder:**
- Hello.
- **Mr. Bhagya Chandra Rao:**
- Yes, we can hear you, Rohit.
- **Mr. Rohit Balakrishnan:**
- Good morning, everybody, my name is Rohit I am attending the AGM from my residence in Bangalore. First of all, sir, I would like to congratulate the team and the Board for very stellar year, highest ever profits and highest ever sales, many congratulations on that. I just wanted to place my appreciation on that to the team. So, I have a few questions and I will go one by one. So, sir, you sort of briefly touched in terms of your presentation that you have done capacity expansion, so how much is the capacity increasing and what would be the peak sales now. And if you can just delve a bit more in terms of what is prompting us to put up this capacity. We are hearing a lot of commentary from a lot of other casting players that there is a significant improvement in demand outlook both from domestic and exports. So, if you can just share a little bit around that, and when will this capacity come online.

Will FY23 have this capacity online that was my first question. Second was also in terms of exports, I think we reached a crucial milestone of about 50 crores of exports this year, which is the highest ever that you have done, and I think you have also mentioned in the presentation about Qatar wherein we have added a new customer. So can you just maybe specify what kind of jump this customer, this single customer added in the overall exports. And on a broader sense can India become like a base for global business? I think the Director from Norican last year, she mentioned that we are looking at India as a big part in the global export piece. So, if you can just talk a bit more what could be the opportunity in exports in the next maybe 2-3 years. The other question was if I look at, so I have been looking at our numbers for the last almost 8-10 years. Typically, it has been predictable in the sense that our starting order book is to the next 12 months revenue is about 1.7-1.8 times, meaning if our order book is let's say at 100 crores, we would probably do 170-180 crores in the next two quarters in terms of sales. And that has been the broad trend, and this is historical information that I am quoting. So, in this year, FY22, there has been a change in that. So, I just wanted to understand has there been any change in the mix of the business or is it something because it was an abnormal year with Q1 not being very good and things like that. Is that the reason for that? If you can just probably talk a bit about that. The next question was our inventories have gone up all I mean raw material, even finished goods. So, can you talk a bit about that, are we sitting on any high-priced inventory? My next question is our outlook for the next 2-3 years if you can talk about can we sort of grow at 20%-25% kind of annualized growth over the next 2-3 years? And if that were to happen, I mean just wanted to understand, what kind of operating leverage can we see. So, if we were to grow let's say our revenues at 20% annualized over the next 2-3 years, do you think that our cost structure will also see a similar kind of increase, or it will not see the same kind of increase and hence as we saw in this year our margins expanded and you can probably see the margins expand as well. We have after a long period of time paid out a very decent amount of dividend in terms of dividend payout, so do you see this trend to continue in terms of the ratio of payout as a percentage of profit. My second last question is in terms of aluminium casting, so currently you are trading in that segment, I understand we don't have a scale. So can you just talk a bit about what are we thinking there and at what scale will we start manufacturing. And the last question is I think I have been attending your AGM for the last 4-5 years, and one more very encouraging thing and I must again congratulate you is that we have been steadily increasing our distributor base. I think in 2017 it was 2 or 3 and now we are close to 9. So can you talk a bit about what are the opportunities there and like in terms of overall mix what it can be and for the business mix in terms of margins can this be as we increase this part of the business - spares and stuff. Can this be a margin accretive going forward? So, these were my questions, sir, and again I would like to congratulate you guys for the phenomenal job and I hope this continues in the next two years as well so thanks again.

– **Mr. Bhagya Chandra Rao:**

– Thank you, Mr. Rohit. Now I request the moderator to enable the next shareholder to speak please.

– **Moderator:**

- Next shareholder is Mr. Rangan.
- **Mr. Rangan Venkataraman – Shareholder:**
- Good morning, are you able to hear me, sir?
- **Mr. Bhagya Chandra Rao:**
- Yes, go ahead.
- **Mr. Rangan Venkataraman:**
- Good morning. See, I remember this company way back 20 years back as BMD Foundries, correct? It is the same company, correct? It was present as BMD Foundries, correct?
- **Mr. Bhagya Chandra Rao:**
- Yes.
- **Mr. Rangan Venkataraman:**
- Because Tandon or somebody Volkal Level Group or something, okay, that was long back. Now I congratulate the management for the excellent working. I would like to know who are your major customers? And also, you have put in the Balance Sheet 10 year report as sales and everything. And what is your USP? And also, to which area you are confined geographically? Because you are saying about going to put up a plant in Doha something like that, what is the cost of it. How is the expansion? But you have got any area demarked like that, I would like to know that. And in page 67 there is a change in inventory, can you please explain that, 19 crores something like that. And employee expenses is 36 crores, it is little on the higher side. Can you just elaborate on what is the world standard in other companies where your Group is there, what is that? And regarding the expansion you have got a mystery something like that, this is only one company like that, market share like that, you have a large market share. And what is your USP that is all I would like to know. Thanks, sir.
- **Mr. Bhagya Chandra Rao:**
- Thank you. Thank you. So next shareholder please.
- **Moderator:**
- Next shareholder is Mrs. Celestine Mascarenhas.
- **Ms. Celestine Mascarenhas – Shareholder:**
- Hello.
- **Mr. Bhagya Chandra Rao:**
- Yes, please go ahead.
- **Ms. Celestine Mascarenhas:**

- Am I audible? Respected today's chairman, other members of the Board and my dear fellow shareholders. I thank the Company Secretary, Mr. Prasanna Bairy and his team for sending me e-notice and also this platform. Our revenue is up, PBT, PAT and EPS has gone up and dividend of 160 is very good. I appreciate the CSR work done, also the ESG initiatives have been taken. And whether rating you can tell us. Our company does the foundry solution not only in India but in Middle East which we have done recently at Doha. When will this be completed and how much margin we will get from this venture? How much pressure comes from the margin supply chain logistics bottlenecks, oil rising due to geopolitical and does not appear to solve in the short term, so how are we going to de-risk? We have got two plants at Hosakote and Tumkur, what is the capacity utilization, what is the future roadmap for the next 5 years with the geopolitical issues. I support all the resolutions. I wish the company all the best. Thank you for giving me this patient hearing. Thank you.
- **Mr. Bhagya Chandra Rao:**
- Thank you very much. Now may I request the moderator to unmute the next speaker by calling out the name please?
- **Moderator:**
- The next speaker shareholder is Rajat Setiya.
- **Mr. Rajat Setiya – Shareholder:**
- Hello. Am I audible?
- **Mr. Bhagya Chandra Rao:**
- Yes, Mr. Rajat.
- **Mr. Rajat Setiya:**
- Thank you so much for the opportunity and before I begin I would like to congratulate the whole management team for the efforts they have put in. It has been a fantastic year. So, a lot of congratulations from my side. Sir, I would like to begin asking my questions, so my first question is that as per our understanding our parent balance sheet has a lot of debt, and their repayments are due and their bonds are actually trading as high yield bonds at the moment which is not a very good situation to be in for the parent. So just would like to hear your views, what kind of implications can that have on us, either negative or positive. Negative whatever you can think of please share that with us. And in terms of positive one thing that we could think of that if parent is thinking of consolidating the business across the world and you know look for a consolidation at the business, would that mean that India can become their manufacturing hub. So that is one thing that comes to our mind and at the same time would that also mean DISA India would continue paying high dividends so that parents continue receiving some cash, so that's one. Secondly, has our business changed over the years be it product mix or client mix or anything else. The reason I am asking this question is if we look at our historical numbers, and if we look at the relationship of the opening order book and the revenues that we do in the ensuing year, the ratio usually comes to 1.7 to 1.8x, and last year it didn't play

out. So is there anything that that was very particular to last year, or something has changed in the business or is changing in the business? This year I think we have some 174 crores of order book to begin with so are we expecting 300, what kind of revenues are we expecting is something we would like to know. Then the next question is around the spare parts, if we look at the spare parts, it is actually seeing very good growth again a good job there. So, congratulations on that as well. And as we understand from reading the Annual Reports of other companies, we understand that spare parts is usually a high margin business. So, we would like to understand what kind of impact do you see on your gross margins going down the line in next 2 to 3 years? Or maybe 3 to 4 years when you know mix of spare parts actually goes up. And overall if you can comment what kind of opportunity are you seeing in the spares business, spares and services business in India. Next question is around the machines that that we are so far trading for the aluminum side. We are not making them in India, which is I think probably the reason is that we are small at the moment, so I would like to know from you at what scale do you think it will make sense for us to make those machines in India and what kind of margin difference will it have? Would we need any additional capacity expansion? What kind of Capex we will do? And when do you really think in terms of scale as well as the timeline we will go for that if at all and if you are really not planning to do that, then if you can help us understand the rationale behind that and I think Sir in terms of question that's about it, I would really request the management team to reply the questions one by one since we really don't get any other opportunity to interact with you and it's just once a year during the AGM that we interact, so would really appreciate replying the questions and giving the answers in detail. Also, it's a humble request if management team can actually consider meeting the investor shareholders or the analyst at least once a year either over a phone call or a physical meeting that would be really helpful, so that we can better understand the business and continue tracking it in a better way. So, that's about it, Sir. thank you so much.

– **Mr. Bhagya Chandra Rao:**

– Thank you, Mr. Setiya. Now, may request the next shareholder to speak up please.

– **Moderator:**

– Next shareholder is Mr. Sanjay Kumar.

– **Mr. Sanjay Kumar – Shareholder:**

– Hello.

– **Mr. Bhagya Chandra Rao:**

– Yes, Mr. Sanjay.

– **Mr. Sanjay Kumar:**

– Good morning to everybody. Thanks for the opportunity. My first question has already been covered by others, it's regarding the capacity. Our potential capacity with 300 crores, can we do 500 crores at peak or is this number higher first question.

Second, Lokesh Sir spoke about shifting shotblasting and filters from Hosakote, did I hear it right or is it incremental capacity for both shotblasting and filters and the capacity that we are adding is it across the board for moulding, sand mixing, blasting, and flex or is it for any particular product? Third question so why are we increasing capacity? we are adding machineries after like 7-8 years, so have we received any feedback from our clients about increased demand in the next few years. India at peak did 12-13 million tons of casting, so is that number moving higher and which product or segment is driving this? Next on exports, so are we getting any exports opportunity feedback from clients because of China plus one and not just China, say competitors like Eirich, Kunkel Wagner in sand mixing or even Rosler in shotblasting. I think they're all based out of Germany, which is facing high energy costs, so is that an advantage for us because we're making out of India and so since Lokesh Sir spoke about shotblasting and flex, so can you give the market size for each of these? Shotblasting, it is not restricted just to castings market, we can sell this machine to anyone who is machining right, so in terms of say number of machines or the total market turnover potential and what is our market share in both shotblasting and flex will be really helpful and particularly in flex is it restricted to fumes generated in casting or any process like pickling, patenting, or coating kind of lines, will they need our flex? Next question, share of industry someone else asked, in addition can you also give the breakup of machine wise revenue say molding, sand mixing, shotblasting, and flex. Are we seeing a product mix moving towards or away from casting and more into shotblasting and flex that would be helpful and finally this was covered by others also, but this is on dye casting -- aluminum dye casting machine, so when I speak to players like Alicon, Craftsman given the EV push, there will be tailwinds for aluminum and the aluminum content per vehicle, the KG is moving up and it will continue to go up in the next few years, so why are the die cast machines not part of the expansion plan, it makes sense to make it in house, so any comment on that and rational on that will be really helpful. That's it from my side. Thank you.

– **Mr. Bhagya Chandra Rao:**

– Thank you. Thank you, Mr. Sanjay Kumar. May I request the next shareholder please.

– **Moderator:**

– Next speaker shareholder is Mr. Anuj Sharma.

– **Mr. Anuj Sharma – Shareholder:**

– Yeah. Thank you. Thank you for this opportunity and congratulations for good performance. See I have sent in my list of questions do you want me to repeat them, or you could take it up along with other.

– **Mr. Bhagya Chandra Rao:**

– Mr. Anuj Sharma, if you have already sent, it is available with us. The management team would respond to those.

– **Mr. Anuj Sharma:**

- Yeah. I have no additional questions. So, thank you.
- **Mr. Bhagya Chandra Rao:**
- Thank you, Mr. Anuj Sharma. Next shareholder please.
- **Moderator:**
- Next shareholder is Mr. Jaideep Merchant Securities.
- **Mr. Jaideep -- Shareholder:**
- Yeah. Thank you for taking my questions. I have emailed a list of 12 questions few days ago and I would request Lokesh quickly to answer them because besides the AGM, we don't have any other opportunity to interact with the company. yeah. so, that's it. I have sent a list earlier. Thank you.
- **Mr. Bhagya Chandra Rao:**
- Thank you, Jaideep. Next shareholder please.
- **Moderator:**
- Next shareholder is Mr. Nikhil Upadhayay.
- **Mr. Nikhil Upadhayay – Shareholder:**
- Yeah. good morning. Am I audible?
- **Mr. Bhagya Chandra Rao:**
- Yeah.
- **Mr. Nikhil Upadhayay:**
- Yeah. I've also sent my set of questions, so I hope you already have them.
- **Mr. Bhagya Chandra Rao:**
- Yes, it is available Mr. Upadhayay.
- **Mr. Nikhil Upadhayay:**
- Yeah. thanks. I will not repeat those questions. I'll just request if you can be more descriptive in the answers, so as to get a better understanding of the business. Thanks a lot.
- **Mr. Bhagya Chandra Rao:**
- Yeah. Thank you, Mr. Upadhayay. Next shareholder please.

- **Moderator:**
- Next shareholder is Mr. Bhavin Vithlani.
- **Mr. Bhagya Chandra Rao:**
- Can you call out the name once again please?
- **Moderator:**
- Mr. Bhavin?
- **Mr. Bhavin Vithlani -- Shareholder:**
- Am I audible?
- **Mr. Bhagya Chandra Rao:**
- Yes, yes. We can hear you. Yeah, go ahead.
- **Mr. Bhavin Vithlani:**
- Yeah. Thank you for the opportunity members of the management team. I would like to congratulate the entire team of the management for an exemplary performance. While we have sent the question, I would just highlight a few of them, which we feel have not been asked. Off the current installed base of the foundries in India, what is DISA's market share of the installed base and what has been the market share over the last couple of years? So, we would like to understand about the movement of the market share over the last couple of years. The second question is on the exports opportunity, if you could highlight us in greater detail what are the opportunities that we are seeing especially talking about the geographies and the competitive advantage that DISA India brings in for the export opportunity, is it the cost and we also understand some of these factories needs to be approved, so is the accreditation of the factory completed for it? Could you also give us a detail about the expansion that we are undertaking and the visibility that we have from the expansion that we are undertaking and we would also like to request a visit to the manufacturing facilities once the plant is expanded and commence. The other question is on the aluminum foundry equipment business. We understand from your customer and one of the largest customer did compliment talking about the Itaipresse is an European equipment available at Chinese prices, but he was still using the bowler machine saying that productivity is much better, so could you talk about the aluminum business and like it was mentioned in the AGM few years back that how we localize DISAMATIC so as the opportunity increase, so what is the way forward for the aluminum foundry equipment business? When do we see localization and increase share of aluminum foundry business in India? Could you also talk about the expansion in Qatar, the kind of CapEx that we are looking at, the opportunity that we'll see from there on. The other question is on the royalty could you also help us understand the policy for royalty technical fields and the technology transfer what as a percentage of sales and also these few of the technology and the R&D like all other MNCs is DISA also looking to set up an R&D

center in India given the advantage that there on the cost side. Lastly, could you help us with what is the outlook for the order inflow -- what was the order flow for fiscal year 22? These are my questions. Thank you so much.

– **Mr. Bhagya Chandra Rao:**

– Thank you. Thank you. Anyone else, any other shareholders have registered?

– **Moderator:**

– No Sir. Thank you. So, we are done with this speaker shareholders. You can proceed.

– **Mr. Bhagya Chandra Rao:**

– Okay. Thank you. Now, I request the company's management team to reply to these queries. Mr. Lokesh Saxena duly supported by Mr. Amar Mohanty, the CFO, and also, we have the Company Secretary, Mr. Prasanna Bairy, all are there with me. Mr. Lokesh, would you like to go ahead please.

– **Mr. Lokesh Saxena:**

– Yes Sir, with your permission. So, thank you very much to all of our shareholders who have raised very pertinent questions related to business and I would try to answer as many questions as possible and so we will not go question wise as we said in the earlier part, we'll go more and more on the consolidation of some of the themes which have come out as a part of our question session. So, I'll start primarily with the with the foundry industry. Some questions were related to what is the foundry industry all about in India. So, just to give you a glimpse of that, we have close to 4,000 foundries which are operating in India. These are small, big, automated, nonautomated, but the foundries who are automated are close to about 200 lines and that is where we play in the market. Our process of playing in the market is when some foundries come to us and they say they want to implement an automation in the entire process and that's where we come back with a possible solution to them. These foundries are both in terms of the upgrade, their existing facility, as well as also they make new Greenfield plants as well. The USP, one of the shareholders asked about the USP what we go with the marketplace is, we go with a full foundry solutions approach, which means that we are able to provide end-to-end solutions right from the conceptualization of the project, to design, to implementation, to installation and commissioning. So, we do a complete end-to-end project when it comes to engineering part not only on the engineering side, on the equipment side so we sell sand plant, we make molding machine, we provide conveyor systems, we provide shotblasting machines, as well as the dust collection mechanisms, and of course duly well supported with the aftermarket operations to run the operations well. So, our USP is a full foundry solution to the market and that has been the case for many, many years for us in India. Another set of questions were regarding revenues and the share of businesses within the product mix. So, if I look at the financial year 2021-22, the revenues from various businesses where molding revenue was close to 46%, shotblasting was 14%, filters were 13%, and

aftermarket was 26% for us. The OEM to aftermarket mix has been more or less steady I would say between 74% to 26% over the last few years, last year was no exception to it. When it comes to the market share of various businesses, we hold a commanding position and that is the position we have adopted over the past so many decades on the DISA business, which is our flagship molding business where we are holding more than 60% market share and that we have been able to hold for many, many years with a full solutions approach and full product basket what we bring to the marketplace. On the Wheelabrator side, our share of business in the organized segment because Wheelabrator is a very cluttered market. On the organized segment category, we are close to about 20% of our share. Whereas filters we are anything between 12% to 15%. So, you can calculate the market sizes for these companies -- market size for these businesses based on these shares of businesses. Another set of questions was around the segment exposure. We have been heavily dependent on automotive segment till about three to four years before, but as a strategy we have adopted to go to more segments of businesses and our exposure to automotive segment is not more than 55% to 60% at this moment and it is also about the end use of the castings where it goes, but our exposure is limited to anything between 55% to 60%. The other segments of business, which has given us opportunity to grow as we go into last two three years and we go forward is steel manufacturing, the construction segment, railways, energy and infrastructure. So, these are the areas where we are seeing a strong growth coming from both our DISA business as well as our Wheelabrator business and of course followed by the filters business. If I look at the order booking, I think we are fairly balanced around 50% each I can say auto to nonauto, that's the kind of order booking we are carrying at this moment. I would like to spend some time on the exports part because almost five of the speakers talked about export as one of the opportunities and we definitely see that as an opportunity. So, what we do directly export into areas of not only in India, but also the Middle East all the countries and also, we have added Sub-Saharan and Africa as one of the regions for growth for us. Traditionally, we have been doing some small businesses in the Middle East markets, but last year and almost every equipment of or what we make as in Norican, so this could be our flagship foundry when it comes to the Middle East operations. One of the speakers asked about what is the share of this this business in the total export. I would say 38% of our exports is coming out only from one foundry which we have created in Doha. Apart from Qatar, the other markets where we continue to grow is UAE, Saudi Arabia, and Oman, they're one of our Indian customers has got already two major installations of foundry. One question which came up on India as export hub. I think we have proven time and again that India has the capability to do it and the group has very actively looked into it, which has helped us to grow or export business in some of the European areas like Turkey where we have installed 2 big boundary lines last year, the installation is in progress. Apart from that we have sold machines right up to South Africa to even Brazil and in some cases to Australia as well. So, yes India continues to be looked at from the group from export perspective with possible challenges, but yes, we are looking at India as export hub. Then there were some questions about what is the impact of the electrification of the entire segment of automotive. We did a detailed analysis of this subject and we see more opportunities than threat when it comes to electric vehicles. So, the conversion from gasoline engines to electric vehicles is primarily happening very fast and in case

of two-wheeler, the conversion is very fast. Apart from that even the passenger buses which are the city buses, we are seeing a conversion which is happening very fast in three wheelers. Cars and truck market and tractor market, we are still not seeing so much of movement at this moment. So, based on that there is an opportunity which is presented to us in terms of aluminum business. I'll come to that a bit later, but the impact of the EV industry is not negative on the company, it is going to be only positive as we go forward. Now, coming to the to the aluminum market and how we are operating today, so yes rightly said that we acquired the aluminum foundry business in terms of Italpresse in Italy in the late 2016-17 coupled with that the StrikoWestofen, which is a furnace solution. So, we are able to create both ferrous solution as a foundry and as well as aluminum solution. The kind of volumes which we operate on and the kind of volume which India buys when it comes to dye casting machines does not make it too attractive for us to produce at least the large size machines. So, the current model of business is, we import these machines from Italy and Germany and we are able to set up the full operation here. What we have been able to do with a strong thrust on the aftermarket businesses, we are now hosting the spare parts of Italpresse machines in India and we are selling it locally to them. Large volume of aluminum industry is buying machines which are less than 1,000 tons were the smaller castings are required and we are actively participating in that process to look at whether we can do something to host those machines into India and produce in India, but that still is at a discussion point. We have still not arrived at a conclusion. As and when we arrive at a conclusion, we'll definitely be happy to share with all of you. Now, let us come to another point which was around the aftermarket and we are very excited to share that our aftermarket has done pretty well based on whatever strategies we had adopted. So, we started using a distribution network, we started putting the distributors in place, and I'm proud to say that we have nine locations where we are hosting our stock now. Most of the major foundry hubs is where the distributor is. I don't want to name all those locations in the interest of time, but what is what it is doing to the to the customer and that was the intent of this entire activity on aftermarket is that we are getting a stocks closer to the customer instead of keeping only in Bangalore and Hosakote. So, nine locations when the stock is there it is very close to customers place, our service level to the customers have grown up -- has gone up drastically and that is one of the major, major shift we are seeing from customers perspective anything which they were taking about 8 to 10 days time to receive, it's now available in a day's time, so that is one of the major impact when it comes to distribution. We will continue to explore more opportunities when it comes to putting up distributors in place and look at news installations which can help us to find that place and then find a distributor for that place. One of the questions was on how much of the business we are doing through distribution and direct. Broadly speaking we are doing anything between 60% through the distribution and the balance is being done directly. There is a strategic way of looking at it because some of the very large customers they really want to -- don't want to buy from distributors at this moment, but our endeavor is that in the next two years our entire business on aftermarket will be served only through the distributors. On the share of aftermarket, as I said to you, we are about 26% on our aftermarket in our total revenues today and some of the questions talked about the profitability as it goes in the aftermarket versus the OEM. Definitely, all the aftermarket businesses bring in

more profitability and our endeavor and our effort is to really make sure that we grow in aftermarket business faster than the OEM business and we are putting up efforts and we are putting up strategies around that initiative. So, the ways to do it is the distribution wave, we are putting up very customer oriented or a segment-oriented campaigns around that. We are also looking at conversion of some of the pirates who are being used by the customers to convert them into us giving them a technical solution through a trial process and that's how we engage with our customers in a big way. On the digital offers, we have a very unique offer to the foundries, which says that I'll address your scrap in the foundry so that is one of the major solutions which we are going to and we have tied up with one of the biggest foundries in India to host this solution and we are working. We will be in a position to announce more on the result of that implementation maybe in the next AGM because by that time we'll have the installation complete and also, we'll start to get some results out of it. Digital is another thing which we are working very closely with our group organization to implement that from Indian market.

- Coming to the Tumkur expansion or consolidation or whatever we want to say that, we initiated the exercise of expansion not independently -- not looking at independent expansion, but also consolidation of the two plants into one plant activity and this is what we have been doing. So, what we have done with this new infrastructure building which we have done in Tumkur, we are able to add operations of Hosakote plant into Tumkur operations. That is going to bring us a lot of synergies in terms of cost number one. Second in terms of the skill usage of the people and also create a multiskilling environment in the organization. Earlier these two different units were operating very differently and we were not able to get the full skill advantage and the full operational advantage running into two operations. Does it add capacity, I would say it does not too large, but I think as I've said and as we have said already in earlier AGMs, our current capacity in any form is okay for us to service anything between 3,500 million to 4,000 million worth of business from India and our capacity is not about in the plant, our capacity is more about how do we develop the outsourcing initiatives more because majority of our work does not happen in the plant, it happens outside the plant and we bring in those assemblies and sub-assemblies back in the plant and install them and sell to the market. So, this is where we are coming to and this consolidation initiative is -- and I take the proposal of one of our shareholders who said that why don't you let us visit the plant and show. It'll be our pleasure to host the shareholders as much as possible for a for a visit to the plant and see what level of activity and what work we have done. So, that is something which we'll be very delighted to do and we accept that proposal Sir. On the growth and economy side, as you all know that despite a very tough environment globally, India as a country is showing good resilience in terms of the growth on GDP which is projected to be anything between 6.50% to 7% to 7.50% and also containing inflation I mean 7%-7.50% of inflation has not been new to India and so a fairly good amount of work being done by the Government and the people out there. So, when it comes to growth, I think we are looking at something which should be more than the GDP growth that is the intention for all of us because that's where we grow the aftermarket -- that's where we grow the market share for us. So, we would like to grow better than the GDP for sure and also look at opportunities of growth. Our primary growth opportunities become more exports than domestic

because our experience in the last 8-10 years has been that irrespective of whatever happens in the market, there is an average of anything between 14-15 to 18-19 foundries which are made in India and that number has not gone up in the last few years and in that we'll have a 60%-65% share, so we make about 10-11 foundries in India, but large opportunity for us lies in exports and we are reinforcing our organization whether in terms of OEM business or in terms of aftermarket business to capture that opportunity in the export segment. One of the questions was that when will you cross 5,000 million business, a very difficult to predict as to where we reach 5,000 million. Our endeavors to grow as much as possible as a company and provide a high shareholders value to all our shareholders. I think there was one question about opportunities pricing I think we are pushed so much on the inflation side, we are pushed so much on the cost side that we have just tried to recover those elements from our customer, so we have not gone into any kind of opportunity pricing depending on the availability and the demand situation from the market and our customers are a testimony to it and customers they're very pleased the way we are doing business with them at this moment. It will not be prudent for us to comment on our parent's Balance Sheet because we are in the DISA India meeting, so we will not offer any comments on the on the Balance Sheet of our parent company. There was one question on the de-risking of inflation. As I said to you that we have good mechanism where we can anticipate what's going on and what's the cost going to be and we try to implement that as a part of our market pricing initiatives and also do some strategic initiatives when it comes to buying process. Last 2-3 years, we have been trying out to strategically buy at a particular time in anticipation of sales what we're going to make and that has really helped us to negate the inflationary trends for us as cost increase. One question on the cash side what are we going to do. I think I can only tell you what have we done in the last few years on the cash side. So in 2016, we spent about 70 million to buy a new company which is a subsidiary Bhadra Castalloy and then we have given dividends over a period of time and this time we have given to all the shareholders a very high dividend of close to 1600% and we'll continue to explore opportunities how better the cash can be utilized, but I think dividend was one immediate way which we can utilize the cash. Yeah, so on the backlog. So, there was a question and I think some analysts here are actually older than me in the company, so they know the backlog moments of how the revenue is coming, how the backlogs come. See what is happening is that since construction equipment segment in India is growing very fast, it helps us to create more opportunities for businesses which are short term around for us say like Wheelabrator machines which we can churn out and anything between four to five months and sell. Foundry business takes about 8 to 10 months to complete the project, whereas the Wheelabrator machines take about four or five months and same as the filters, so I think that is where this mathematics of 1.75 to 1.8 or 1.25 does not hold good anymore. It depends on which segments of business are buying more and the churning is high. So, a strong backlog definitely gives encouragement to us to manage our cost well, but at the same time we can churn on the businesses faster, so don't be surprised if we do very different kind of business despite a low backlog or higher backlog, so that's one answer onto the question on the backlog. On the employee side, as you all know that we are a knowledge engineering company and I think our biggest asset in the organization is our employees because that's where we conduct our business in a very high value based

environment and we have taken all due care and we'll do all due care to ensure that we don't see any kind of a change in the kind of people what we have and that is the reason we consciously evaluate what is a kind of salary levels we are giving to people, what is the kind of bonuses we are providing to everyone, and also we are not off from the marketplace, but yes we have been able to maintain a attrition rate, which is very high in the industry at least something below the attrition rate of the industry and we have people who are there with us who have really done wonders for us, so we're very proud to have such people in the company and we'll continue to look at that. We don't see it as a cost -- huge cost on the employees, but it's more to do with the kind of knowledge which we want to retain for the company. I think this is -- yeah in the royalty, we follow Government rules on the royalty and if you want to say Amar something on the royalty.

– **Mr. Amar Nath Mohanty – Chief Financial Officer, DISA India Limited:**

– No. I think royalty expense in percentage of sale is less than 1%, and it has been that only. We have an agreement with the technology providers in the globe and that is what we follow. There's nothing to worry. It is than 1% for past so many years. The few products only more applicable for royalty. No problem.

– **Mr. Lokesh Saxena:**

– So, Chairman Sir, with this I think we have tried to answer all the questions that has been raised.

– **Mr. Bhagya Chandra Rao:**

– Okay. Thank you, Mr. Lokesh and Amar for pitching all the questions. So, with this, members who are yet to vote are now requested to cast their votes using the E-voting facility of CDSL. E-voting facility will be available for 30 minutes more from the conclusion of this AGM. The results of the remote e-voting and the e-voting during the AGM will be declared on receipt of scrutinizer's report and shall be placed on the company's website and sent to the Stock Exchange.

– With this, let me come to the concluding part. On behalf of the Board of Directors, I thank all of you for participating in the meeting amidst COVID-19 pandemic. I hope to meet all of you in person during the next AGM. I hereby declare the proceedings of this AGM as closed and wish all of you and your family to be safe. Thank you.

– **Mr. Lokesh Saxena:**

– Thank you.

– **Mr. Amar Nath Mohanty:**

– Thank you.

– **Mr. Bhagya Chandra Rao:**

– Thank you.

End of Transcript