Morganite Crucible (India) Limited
Morgan Advanced Materials
Molten Metal Systems
B-11, M.I.D.C., Waluj
Aurangabad - 431 136,
Maharashtra, (India)

December 02, 2022

The Manager
Listing Department
BSE Limited
Phiroze Jee Jee Bhoy Towers,
Dalal Street, Mumbai-400 001
Maharashtra, India.

Scrip Code: 523160

Subject: Outcome of Analyst / Institutional Investor Meetings held under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir,

Please find below transcript of analyst/investor meeting held on December 01, 2022 in connection with discussion held on understanding the performance of the Company and general overview of the business.

The same is also available on the company's website on https://www.morganmms.com/en-gb/investors/

We request you to update the information in your records.

Yours faithfully,
For Morganite Crucible (India) Limited

Morganite Crucible India Ltd. B-11 Waluj

Rupesh Khokle
(Company Secretary)

Place: Aurangabad, (India)

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Transcript of the Investor/Analyst Meet held on December 01, 2022

Attendee:

Mr Aniruddha Karve – Managing Director MMS
Mr Rupesh Khokle – Company Secretary
Mr Amit Jain – Monarch Networth Capital Limited
Mr Shaukat Ali – Monarch Networth Capital Limited
Mr Abhisar Jain – Monarch Networth Capital Limited

Mr Rupesh Khokle: Hello Mr Amit, Mr Shaukat & Mr Abhisar, nice to meet you. Mr Aniruddha Karve will be joining soon. I request you to keep your questions specific so that we can answer within timeline.

Mr Aniruddha Karve: Good morning everyone..

Ms Amit Jain: Thanks for accepting our request for the discussion. To brief about our firm Monarch Networth Capital is a strategic amalgamation of two leading financial service providers Monarch Group of Companies and Networth Stock Broking Ltd. With more than 2 decades of devising and executing smart financial products and strategies, we have emerged as one of the leading and reliable financial services providers. We have added more verticals to pure stock broking services, including the entire gamut of financial services such as primary market operations, mutual funds, insurance and comprehensive financial planning.

Our constant focus is on scaling and upgrading technology and infrastructure with the aim of providing best services to investors. Monarch Networth Capital is an ISO certified company which has been scaling new heights, only because of the trust placed on us by our clients and investors.

Mr Aniruddha Karve: Thanks for the introduction.

Mr Abhisar Jain (Monarch AIF): Thank you Amit Ji and thanks Aniruddha ji and to the management for taking time out for our team. So I think so the introductions are largely done, may be Shaukat and team can start with the Q&A.

Mr Aniruddha Karve: OK.

Mr Shaukat Ali: Yeah, sure. Thank you, Mr Abhisar. So we wanted to understand a little bit of growth profile of the company and also the Crucible industry. So we have seen that over last 10 years of our growth has been close to 5.8 percent, 6% and slightly in the last 6-7 years, it has slightly gone up. So it has gone down actually in last 5-6 years given. So how we are seeing growth from here onward, there could be some growth drivers picking up. So one area could be that.

What level of growth for the Crucible may have picked up for India as well as the nearby industry. Also, there could be an area that we wanted to understand from you that there could be some more localization of products coming from the parent company which can increase the addressable market for you and you can target from here making it a manufacturing base in India and targeting nearby regions where the mandate would be. Third area could be Sir that your you can target more and more areas that geographical of each can increase given the how the interaction with your parent company is and how you get the mandate about targeting the different geographies. So we wanted to understand, can we bug the slow growth trend that we have witnessed over the last 10 years and we can grow faster from here given the fact that organic growth drivers are also in place. So semiconductor EV, then aluminum component per car is rising. So can we grow up and if you can give us some background around that?

Mr Aniruddha Karve: Yeah. So I think it's good to understand a bit of context for the last few years before we talk about the future because you know this, this company was started in 1986 as a joint venture. It was a technology joint, whichever Morgan, it was an investment that was sort of forgotten for a number of years back in 2008. The you know, Morgan decided that for the Crucible business, they're gonna close the factory in the UK, move the assets to Asia. So half of them came here to our and about half went to our factory in Suzhou in China. So the growth started to look to come in because we added product lines, we added manufacturing capacity and therefore it started to grow. It went through a rocky period. So I've been involved with the company now since 2012. So this is my 11th year and when I remember that.

Yeah, I was in the operation director position when I first came in and I looked at our roundabout that it was clearly suffering from a lot of post transferred issues, so safety, quality, productivity cost, you know, all of those things were not optimized. So I think between the periods of 2012 to 2016, if you look at the financial, there are bit choppy and we're trying to get all those things fixed and that happened. And I think after 2016 onwards.

We've been driving more growth out of that facility. So as you mentioned that the Indian market is organically growing. It's the fastest growing market in the in the world at the moment and it has been that way for the last three or four years for our target customer industry, we should be aluminum foundries, copper foundries, zinc oxide, things like that. So we've been able to capitalize on that. We've also been moving more volume within our global business to India.

And there's this last round of investment that we made the 30 to 40 crores that we put in, we called Avatar. Phase two is again the next foundation for that. So when you look at that, you've got 2 pillars of growth in immediate terms. I think you have the organic market growth in India. However, I also see a lot more competition in India. So we have a lot of more, a lot more local players and we have a very strong brand. It's more than 100 years old, but obviously in some of that business when you have local players that are more price sensitive. So that just tells us that our R&D mandate has to be stronger. We need to be certain ahead of our competition. So good organic growth in the market, maybe a bit of dilution due to competition. And then the other one is there's still more business that we can put in India that can transfer from other facilities And that may happen over the next few years but right now is not the best time to be looking at the super heavy amounts of investment for a UK listed companies, so it's hard for me to convince the Board to give me a lot of money to expand capacity in India. So for the next couple of years we will look to leverage the capacity addition we made the last two years. So we'll see. We will look carefully at quality of business. So margin will be a will be an important parameter for us. You know we could grow 15% a year if we wanted to actually but not all of that business is attractive.

The other thing we will look to do in this interim period is to expand into other product lines beyond crucibles. I mean the Crucible market, yeah, it's a good story for India right now, but it's not a long term, sort of exponentially growing market, right? So there are many drivers that will slow it down. What we really have is in addition to the Crucible manufacturing expertise we have the materials expertise and that's what we would like to leverage and put into other products, so.

We've launched a couple of product lines over the last couple of years in MCIL, which are now starting to attain little maturity and you know critical mass. So we'll see some non Crucible growth come in as well and that could add a couple of percent points, 3% point, 5% points to our growth profile over the next couple of years.

And then the third pillar is inorganic growth. So you know there, there might be companies that we end up looking at acquiring. If you look at our balance sheet is fairly strongly been returning a lot of dividends right now as you might have noticed in the last set of 18 months. But you know our next generation profile in MCIL is strong and if we need to, we can sort of acquire off the balance sheet with a bit of leverage if needed, etc.

Yeah, it when you find the right company. I think we would be looking to acquire potentially a complementary technology, something which can enhance our current product. If there is any vertical integration that we can do to give us the competitive advantage, we might look at a potential that. So there are we don't have organic sort of immediate horizon, but we have sort of target areas that we're looking at for inorganic diversification into faster growing industries like energy, storage, batteries, semiconductor and so on.

Morgan is a fundamentalist company. OK, so they're not gonna see a lot of this very sort of no profit, high growth scenarios for us. They don't, they don't sit well with our Board as well as that's not the profitable for the industry that we are in. So we have more about making sure we have sustainable profitable growth. So even if I say, OK, I can, I will compromise and say, OK, I can go at 8% a year, but I can still maintain my margins and cash generation profile. I would prefer that than to growing 20% a year.

You know difficult margin profile and that fixed with the with the profile of the parent company. The one question you asked was about was you know other parts of the parent company and you can be leveraged someplace with our fellow business units around the around the group, yes and no. So our thermal ceramics business unit maintains its presence through a joint venture with Murugappa. So Murugappa Morgan, thermal ceramics. So that's taken care of. They have two facilities in India.

It we have two other two or three other business units which are probably dealing with higher technology products and therefore we need to find the right time to enter the Indian market. I think with the PLI schemes around batteries around semiconductor and so on, I think Morgan will have more to do in India and it will be the vehicle that they would use because it's sort of it's not a joint venture for SE. It's we have operational control over it. Whereas with more of course we don't, we don't have that level of operational control.

That, as we have a disability, so I don't, there are no specific plans yet, but I can see that the group sort of would have a need to be in India at some point with the other businesses which are not currently present and we could provide a good footprint for that. So to sum all that up in the next two or three years, our profile, our growth will be selective growth. We will obviously want to stay ahead of the inflation curve. So we would like to be 10-12%, so we can offset costs inflation.

As things go on, those paths get clearer. We will take the leap of investing more and creating capacity for it and that. But again, I don't see that happening in the next few years unless something changes OK in the marketplace. I don't know that I think that should answer your questions.

Mr Shaukat Ali: So is it the foundry product where we have introduced the product?

Mr Aniruddha Karve: The two products that you asked about, it's ferrous foundry. So stopper rods and nozzles. That's been taking off quite a bit and so we'll use the Indian market for trials and qualifications, but we're actually produce pursuing business growth in the US because that's where we see the right kind of market for our product where the value propositions are clear and we are selling into the Indian market, but not as much because it's a very price sensitive market, is very difficult to convince people that are that further down the OEM auto supply chain to pay for quality. We have markets that pay for quality, we will definitely and that business is growing. It's growing very well in the last 12 months. So we are seeing some good trends already of orders placed and we have six or seven big large orders in the pipeline that will help grow that. So that's the one.

The second one is the is. We are starting to get into the gassing systems for non foundry customers. So outside of Crucible. So this is the product that it used to remove dissolved hydrogen from aluminum. You can you know from macroeconomic fundamentals that aluminum growth is very high in India, right. So not just in India but also China in new non province there's 8,000,000 metric tons of capacity going in. All hydropower, so it's clean metal, you know, it's no carbon emissions all of that.

So we want be present upstream. So we are very strong in the foundries and that's good. But we don't have much presence upstream and we're driving some product development and material development over the next few years. The other one we are working on what we call the DGRU. Oh, that will come in the next 18 to 24 months and India will be set up to manufacture back. So certainly for the Southeast Asian market for the Middle East market, a lot of aluminums Melting capacity in the Middle East, where they look at embrace global level normal or whoever else aluminum body and we want to supply that from India so. So that's another growth story that we think we have.

So you know we have a good road map I think now as I said in the next couple of years, very selective, we want make sure that we maintain the integrity of the balance sheet and the PNL.

Mr Abhisar Jain (Monarch AIF): So, Sir, very interesting. You mentioned that while the group is conservative, but at the same time you guys are looking at all options, which is basically going into non Crucible.

Mr Aniruddha Karve: Yes.

Mr Abhisar Jain (Monarch AIF): Uh, and also being very active on the inorganic side, if things fit in the non Crucible side, right? And of course you talked about the high growth industries like battery storage etc. So Sir, just wanted to understand versus what we have been doing as an investment into the business in the past, OK and you have consolidated the capacity at Aurangabad?

Uh, you know, in the next five years, how much of the scope of investment do you have in your facility in Aurangabad and how much would you want to do in organic in terms of, say, an approximate figure? I'm just trying to understand that there will be some flexibility and you will not want to sacrifice margins, different ratios, but still what kind of investments parent is looking given the Indian market has a good one or two decades ahead at least?

Mr Aniruddha Karve: Yeah. So if you look at the level of investment that we made in the business over the last 5-6 years, I would call it more sort of clean up CapEx. I mean, it's not been sort of heavily growth oriented. Yes, we did do some element of growth, but the key was you know, we simplified the holding structure, we close the facility Mehsana because it's not it was inefficient one we didn't sort of keep it. So I call it sort of foundational CapEx, it's not growth CapEx. Look, I don't know what they over the last three, five years they have spent 80 to 100 crores. And but I'd say only 20% of that was probably aimed at getting new capabilities in new sort of ability to manufacture some of the products I talked about. But they were smaller investments, they were not investments in plant and building and so on. The bulk of that has been for the consolidation. I think we're seeing the results of that, which is helpful, which helps me tell us probably.

I think it's a combination of sort of having the right opportunity and then finding the right time to do it. To be honest, I don't think we're gonna be constrained in that sense.

Mr Abhisar Jain (Monarch AIF): Understood, Sir. And Sir, I just wanted to bring your attention to another, you know, global MNC company in the same space which is into the refractory which is done you know something similar at an extremely high scale, OK and entering into new products, doing the inorganic, consolidating the all the India businesses and they are seeing huge kind of thumbs up from the market in terms of the valuation growth etc.

Mr Aniruddha Karve: Very rightly said. It keep popping up all that when there were group discussions.

Mr Abhisar Jain (Monarch AIF): Yeah. So we have been very close to them. We know the management in and out for the last 10 years and with including the MD. So I just thought that maybe Morgan with the way you gave the commentary is trying for something similar. Of course in your product, your range, but something similar basically.

Mr Aniruddha Karve: You can say that, but you also have to realize that you know we are in the different business line and also look forward inorganic growth.

It has taken a bit of time for some of the leadership teams to build the credibility and build a foundation to attract that level of investment from there. OK, so you know, I've been tracking knowledge for the last 10-12 years because they are, they're not direct competitors, but they sort of work in our space. They're more for competitive thermals that actually because there are factories, but I think we are in that initial part of that curve. I would say we have to build that community. We have to get some of the early wins out. And then I think the group will be very bullish on India because, you know, China is a concern for us, right? So Morgan has quite a bit of presence in China, to be honest. Tomorrow they attacked Taiwan. Then what happens? Is it gonna be like Russia where they have no access to our trading? India in that sense, a very good destination. And of course now we have to compete as in India has to compete with places like Vietnam and Cambodia because that those are also very attractive. But the growth story of the Indian market is compelling, right, I mean.

Mr Abhisar Jain (Monarch AIF): Yeah.

Mr Aniruddha Karve: Vietnam grows, but they grow from a very small base and they're no I mean, yes, they're growing, but they're not the same as India. So I think the group is committed to India. I mean, our CEO was there at our side. I hosted him in on November 10th. Was it time to forget it was at the last board meeting and it was a good visit because having my boss there and saying you gave me this money back in 17, 18, 19, 20, this is what I've done with it. And now, you know, we are going to be able to leverage some of that. That's a big place and having him there for.

Quickly looking at the things and it, it's a big advantage and I go in front of the Morgan board again and in mid-december and they will ask you about it. So I think it's just we have to be careful about how we do it because I think the tendency to change growth for the sake of growth is not sustainable thing like model, yeah.

Mr Abhisar Jain (Monarch AIF): Understood, Sir. And Sir, just one request that I know it's a short call and thanks for giving the time. But if we can just extend it by 5-7 minutes that's about it.

Mr Aniruddha Karve: Yeah, 5-10 mins that's OK.

Mr Shaukat Ali: Yeah, a little bit. If you can give color on the competitive structure in India, within India and the manufacturing side of crucibles, as well as non Crucible side, who are the players and how we are placed. So it will give us some color about how we are going to fare from here in terms of margin as well as growth.

Mr Aniruddha Karve: Yeah. In terms of the Crucible competitors, we have local as well as MNC company competitor. That we compete with them in every market around the world actually. So they have a facility in India. Some do import crucibles from China, which happens to be our neighbour country and sells in India. Good competitor, they had good, good growth and obviously price is a good play for people like this to grab market share.

Because our product in the long run is more sustainable and higher quality and better value. Plus we have a better network of dealers and our sales people in the market. So that's our local competitive profile. There are certain product if you look at it objectively, some of them have individual products that are better than ours because that's their expertise, but our whole product range is unmatched. Nobody can offer that for a product range in India and that's a big advantage for us. So we look at clay graphite Crucible, preform crucibles, roller form principles, iso press, principle in carbon bond, clay bond so that sort of profile is unique for and we and we know that's a strength and that's how we will invest in the future as well. We won't kill product lines or so on in India we may have to adjust pricing to make sure they're made commercially viable but that's your competitive profile in crucibles I think we still remain number one by a fair margin although obviously as you might expect in the competitive market which sometimes.

Mr Shaukat Ali: Coming to Sir non foundry business, how the margin is comparable with Crucible business because now we see that that could become a substantial part of the business and it can start flowing into the overall margin. So how the margin is visible is a Crucible mark.

Mr Aniruddha Karve: Non foundry products on a standalone basis are better margin or at least the market that we're going out. So now you remember the fairly low scale still. So you see that effect yet and also when you look at the however loading the facilities and so on we don't I wouldn't say we have 100% there are cost accuracy either. So I think we will sort of see that mature as it becomes a larger part of our business and we'll have better margin.

Like you're chasing margin expansion. So we wouldn't, really go after a lot of products which you know we would dilute our margin. In fact we killed a couple of product families. They're submerged entry nozzles, slide gates because it's very competitive market. It's a red marketplace, no real that are competitive differentiators for us. So we discontinued the plan to put those product lines fluxes was the other one. So we've killed a few product lines that we've been looking at actively over the last couple of years because eventually they'll be diluted to margin.

Mr Shaukat Ali: So how is the margin going from here? So let's say earlier we had 22-23% margin, then there was some dilution in the margin. Now again we are coming back. So are we targeting 23-24% margin that steady state margin would be possible?

Mr Aniruddha Karve: I mean a whole posture is around margin, right? So we don't like sacrificing margin or wherever we also understand that our product is very dependent on raw material and energy costs and typically sometimes have to if there are increases in those, you tend to absorb them because it's just too disruptive to change pricing. But the reason thing we've seen in the sustained high cost of gas, the sustained high cost of graphite, we've actually gone through and raised up prices, it twice.

It took to maintain a margin for knowing fully well that with all these local competitors out there, we will do some volume, but I have faith in our products. I have faith in our teams that eventually we will get that back. So a margins, you know we build our models around sort of maintaining or improving our margins. So that if we choose to invest that's a different play altogether. But on the pure variable margin side of things.

Uh, we like to make sure it's expanding and it and everything has a ceiling, right, I mean you can raise margins for so much and so long and then eventually you sort of start to see some backlash. So I think the range of margins we have been operating in in the last couple of years is I'd say a good guide. If anything we would be looking to be above that certainly. And that's where all of our efforts are. Efforts are aimed at.

Mr Abhisar Jain (Monarch AIF): Yeah. And just wanted to check the asset terms in the business, which we can see currently from the balance sheet, but there has been a lot of reorganization done as you mentioned, OK, and some CapEx went, but for the new CapEx that we're coming in, the asset term, which we can keep in the mind is somewhere around two, 2 1/2 weeks or it can be even more because whatever you do in Aurangabad may give you more. Maybe I don't not sure.

Mr Aniruddha Karve: I made you put together the sort of the ideal case, it would be much more than 2 1/2, right? Because if you, you know you're targeting their export market, you have a differentiated product which you know gives the customer value and we are able to run, you know quick way. I mean we don't do and 1/2 is on the conservative side. I think anything that we sort of look at in this business needs to be slightly higher than that.

Mr Abhisar Jain (Monarch AIF): OK, great. Great, understood. And Sir.

Uh, add your Aurangabad facility to do the organic growth that you have been talking. OK, I understand the inorganic part will come as and when it comes at the right opportunity. But from the facility point of view, do you think you are taken care of for the next several years or you will have to think about a Greenfield facility also?

Mr Aniruddha Karve: It depends on the product mix, to be honest. OK. So if we are able to get some good growth in Crucible not foundry products which where are our existing capabilities can help us. I think we have set for the next 5 to 7 years. I think if you get into something like other products, OK where we have you know bias and decides to invest in the different plant in India and we want to be part of that that will require a new space.

Mr Amit Jain: So uh, just, one thing from my side. I know we are running short of time you mentioned about credibility issue and but it's good to hear that yes parent group is turning positive now on the India but still want to understand how far we are as they've given some milestone or some there is some threshold are we near that threshold or we across that threshold set by the parent group?

Mr Aniruddha Karve: I think I would say that we have crossed the threshold. So you know in terms of sort of convincing them of the viability of India, we've crossed the threshold. I mean you, have my teams that look at what people are doing, not what they're saying. So at the CEO decides he's gonna pick up his suitcase and come to India just to visit 2 factories in five days. That's the sign for me. OK. And the fact that you know the board wants to always talk to our employees in India. So a sort of they have this rule in the UK for as part of the Companies Act as the non executive directors have to spend time interacting with some of the employees in the company and they pick our Indian sites very often. So I think there's sort of signs that you know there's the tools towards that obviously the uncertainty around China is sort of helping us there. But I'd say we have crossed I think now it's not about convincing the board to invest in India or the company to invest in India. I think is more about capacity and how do we handle it? You know, our leadership capacity, execution capacity and how do we handle it and how do you put it in place?

Mr Aniruddha Karve: So, OK, I think we're running as out of time.

Mr Shaukat Ali: Sure.

Mr Amit Jain:. Yes. I just want to request from our side. I know we are short of time, but it would expect that we can have more discussions whenever you have time based on your convenience and request. If we have a couple of some unanswered questions but support appreciate it from your team if we can send a mail if we can get a revert on that would be really helpful.

Mr Rupesh Khokle: Yeah, sure.

Mr Aniruddha Karve: Yeah. I think Rupesh can coordinate that. We can have another meeting depending on my schedule. So you've got enough to go on. I think right now to sort of do your calculations and things and when the right time you know we can either set up another half an hour like this, I'll be in India in February for the board meeting that may be an optional meeting at site.

Mr Abhisar Jain (Monarch AIF): Yeah. when you're in the India, Sir, it will be great to catch up. Our team can come at any place which you've seen comfortable at. OK, be at your plant or be it in Mumbai. It's depends on you, Sir. So I think what we are also saying is that so we tend to do a little bit deep work on all the companies that we pursue either for our coverage or even for our investments in the AIF. So we have research which comes out with a lot of good reports.

Mr Aniruddha Karve: Yeah. You're welcome. I think if you really want to do that and if you want build a proper relationship, you know, my advice is just come over to Aurangabad. I mean, I would love. I mean, I can come to Mumbai, I go to Mumbai and Pune all the time. But if you really want.

Mr Abhisar Jain (Monarch AIF): No, Sir, it would be very good for us.

Mr Aniruddha Karve: Do you like to come over in about the next time that I'm there and we can have always do for a day, you can meet the team. OK? It's not one person. It's not me, right. The team is important because some of the things you're talking about require a team that can execute, right? So, yeah, we can set that up more than happy to do it. Rupesh can coordinate that.

Mr Rupesh Khokle: Yeah, Sure Sir.

Mr Abhisar Jain (Monarch AIF): Yeah, there will be more than happy to come as per your convenience, I think will be more than glad to come so.

Mr Aniruddha Karve: OK, well, he knows my dates. So you guys can co-ordinate.

Mr Aniruddha Karve: Thank you very much.

Mr Amit Jain: Thank you.

Mr Shaukat Ali: It's a pleasure talking to you, Sir. Thank you for the opportunity.

Mr Aniruddha Karve: Bye.

Mr Rupesh Khokle: Thank you. Have a nice day. Bye.

Mr Rupesh Khokle: Thanks for your participation and if there are no other questions we end up this meeting with vote of thanks to Mr Aniruddha Karve Sir.

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