

CHAIRMAN'S LETTER 2024-25

During the year, our consolidated net worth increased by Rs.20 crores, which increased the per share book value by eighteen per cent. Over the last twenty three years (that is, since the present owners took over) per share book value, has grown from Rs.49 to Rs.412, which, after factoring in dividend paid during this period, works out to a rate of ten per cent compounded annually.

We worked on a few key initiatives this year. Some were to improve product quality, some were to improve the quality of the Balance Sheet and some were to improve the Income Statement. Highlights follow.

Product quality

From time-to-time, I visit some mine sites to understand the perspective of the drill operators who run our machines. In one such visit, I found out that sometimes these operators are as young as early twenties. Plus, they do not get a lot of training of how to operate such massive (and complex) pieces of equipment. The operating conditions vary from mine to mine due to the ore being mined, the natural formation of each strata, climatic conditions, etc.

As a result, building a machine that will operate flawlessly and without breaking down, in all conditions is a daunting task. All drill manufacturers deal with such issues. Our R&D team is quite capable of addressing most issues faced by customers in varied operating conditions. However, sometimes, they hit a blind spot and are unable to resolve some issues. To address some such issues that we had been facing, this year, we hired some experts to resolve some of the product quality issues. While the process is ongoing, we made a lot of headway along this vector. It will take another year to address some of the problematic issues.

Balance sheet

Over the years, we have been building our Treasury to be able to pull the trigger when we find a worthwhile investment opportunity to grow our business. One of the key criteria to move money away from Treasury to an alternate bucket is whether the alternate will help us improve our return on capital invested from low double digits from our Treasury operations to two to three times that number in our core Operations.

While I would like the return to flow into the Income Statement instantly, sometimes there is a bit of a lag. As long as we are able to earn an acceptable return on a consistent basis, I will not mind some delay in realizing that outcome. Keeping this philosophy in mind, we decided to expand our production capacity in anticipation of a pick-up in Revenues. The new facility was commissioned this year. It marks our first significant capital expenditure in a while. Though the Revenues fell year-on-year this year, we are quite confident that this is more a blip than a trend. We also feel quite optimistic that our overall return on equity will continue to remain in the mid- to high teens in the foreseeable future.

We had built up a fair amount of inventory in the anticipation of fresh orders. Unfortunately, the prices of some of the key minerals turned, leading to a slowdown in mining activity and we had some potential customers cancel orders on us. Similarly, we also lost some orders due to geopolitical events. The outcome of this inventory build-up was an increase in borrowings and consequent increase in interest costs. We took actions to liquidate about twenty per cent from peak and expect to shave off another twenty five percent from year-end levels in the next financial year.

Income statement

We strengthened our Sales team by hiring industry veterans in a few key positions. It is early days, but I feel quite happy with these hires. They have shown some promise in the few months they have been with us and I feel confident that they will move the needle in terms of order booking and sales next year.

As I have been saying over the past few years, in the short- to medium-term, exports is going to be the engine for our growth. Unfortunately, our Exports Head abruptly resigned during the year, causing a bit of disruption in our journey. We were able to find a suitable replacement to fill this important position however we could not avoid the drop in Revenues. That said, we feel confident that the new Head will be able to help us continue our Exports momentum in the coming years.

Gradually our business from Coal India is likely to shrink as they increasingly outsourcing their production to private players called Mine Developers and Operators (MDOs). These MDOs are responsible for the entire mining operation including drilling and blasting as well as material handling post the blast. Drilling is a relatively skilled job, contributing a small percentage of the total value of the contract awarded to the MDO.

As such, these MDOs typically outsource the drilling operation to drilling contractors. Usually, these contracts are short duration contracts, which forces drilling contractors to not invest in proper equipment, to build a long-term business. Most of these contractors use an attachment that can be used with excavators for their drilling needs. These “attachments” are supplied by local players, whose cost structures are quite different from ours and hence, drill manufacturers do not to operate in this segment. Other drilling contractors use either conventional drills or “jackless drills”. Despite the gradual shift in Coal India’s strategy to outsource its production, in our assessment, the MDO market will remain significantly smaller than Coal India in the foreseeable future. That said, over time, Coal India’s business has shrunk and will continue to degrow.

Overall, our goal is grow Revenues by at least ten per cent year-on-year to deliver a profit growth of at least fifteen per cent year-on-year.

A word of thanks to all those who supported us in our journey – our people, business partners (suppliers, subcontractors, distributors, agents, etc.), our consultants and our bankers.

PLACE : 08th August 2025
DATE : Coimbatore

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