

Transcript of
TechPrecision Corp
First Quarter 2021 Earnings Call and Webcast
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Participants

Brett Maas - Hayden IR
Alexander Shen - CEO & President
Thomas Sammons - CFO

Analysts

Mark Gomes - Pipeline Data
Ross Taylor - ARS Investment

Presentation

Operator

Good day, ladies and gentlemen. Welcome to your TechPrecision First Quarter 2021 Earnings Call and Webcast. [Operator Instructions].

At this time, it is my pleasure to turn the floor over to your host, Brett Mass with Hayden IR. Sir, the floor is yours.

Brett Maas - Hayden IR

Thank you. On the call today is Alex Shen, Chief Executive Officer; and Tom Sammons, Chief Financial Officer. Before we begin, I'd like to remind our listeners that management's remarks may contain forward-looking statements, which are subject to risks, uncertainties, and management may make additional forward-looking statements in response to your questions.

Therefore, the company claims the protection of the safe harbor forward-looking statements as contained in the Private Securities Litigation Reform Act of 1995. Actual results may differ from those discussed today, and therefore, we refer you to a more detailed discussion of risks and uncertainties in the company's financial filings with the SEC. In addition, projections as to the company's future performance represents management's estimates as of today, August 13, 2020. TechPrecision assumes no obligation to revise or update these forward-looking statements.

With that out of the way, I'd like to turn the call over to Alex Shen, Chief Executive Officer, to provide opening remarks. Alex?

Alexander Shen - CEO & President

Thank you, Brett. Good day to everyone, and thank you for joining us. As we discussed at the end of fiscal 2020, we have learning curve challenges on a limited number of projects in the manufacturing schedule, resulting in an unfavorable financial impact. These projects as well

as an unfavorable mix of other lower-margin projects contributed to our net loss of \$116,000 in the first quarter of fiscal 2021. This project mix also contributed to slower project turnover, dampening net sales during the first quarter. Net sales were \$3.3 million compared to \$4.3 million in the same quarter a year ago.

Through technical excellence, custom know-how and custom build approaches, we believe that Ranor has established a dominant incumbent position with the specific projects I just mentioned. These same part numbers are required for the next shipset. Demand signal for these same part numbers will filter down to the supply chain. The next round will not have learning curve-related negative impediments.

Given our current backlog and the number of projects on the manufacturing floor, we expect overall improvement in revenues and margins during the remainder of our fiscal year. The company's sales order backlog was \$14.4 million on June 30, 2020, compared with \$16.8 million on March 31, 2020. However, we had a very strong month of July, booking over \$4 million in new orders, the majority of which should be delivered in this fiscal year.

Now I would like to turn the call over to our CFO, Tom Sammons, for a brief review of our fiscal 2021 first quarter results. Tom?

Thomas Sammons - CFO

Thank you, Alex. As Alex mentioned, net sales were \$3.3 million or 24% lower when compared to \$4.3 million in the same quarter a year ago. Our defense sector sales decreased by \$0.2 million. However, our order flow from prime defense contractors remained strong. Our industrial sales were down \$0.8 million. Gross margin was 21.2% in the first quarter of fiscal 2021, down from 25.6% in the first quarter of fiscal 2020.

SG&A increased by \$52,000 as compensation and outside advisory services more than offset a decrease in travel expense. As a result of the above, operating loss was \$96,000 compared to operating income of \$368,000 in the same quarter a year ago. Interest expense was \$58,000 or 24% lower than the first quarter of fiscal 2020.

Net loss for the fiscal 2020 first -- 2021 first quarter was \$116,000 or negative \$0.01 per share, basic and fully diluted, compared to a net income in fiscal 2020 of \$221,000 or \$0.01 per share, basic and fully diluted.

Moving on to the balance sheet, we finished with \$1.8 million in cash at June 30, 2020. As a precautionary measure, after the COVID-19 outbreak, we drew down \$1 million under our revolver loan on April 3, 2020. We repaid this amount in full on June 30, 2020. In addition, we borrowed \$1.3 million under the Paycheck Protection Program. The PPP is administered by the Small Business Administration, and our loan was funded through Berkshire bank. The loan is eligible for forgiveness under certain criteria.

Our total debt stands at \$3.9 million or \$1.3 million higher than reported at March 31, 2020. The company has access to additional capital via the revolver loans should we determine is necessary to bolster liquidity. Our net debt at June 30, 2020, was \$2.1 million compared to \$1.7 million at March 31, 2020.

With that, I will now turn the call back over to Alex. Alex?

Alexander Shen - CEO & President

Thank you, Tom. TechPrecision is proud and honored to continue to serve the United States defense industry, specifically naval submarine manufacturing through its Ranor subsidiary. Our strategy to be defense centric is working well. The defense sector demand is strong. In general, commercial sectors are comparatively weaker. COVID-19 impact is an order of magnitude less in the defense sector. Our Ranor subsidiary has needed no layoffs during these COVID-19 related, very difficult times. Workforce retention is solid. Key customer retention is 100% in Ranor's defense work. We continue to see meaningful opportunities in our defense sector, primarily in the nuclear submarine business.

I would now like to open up the call for Q&A.

Question-and-Answer Session

Operator

[Operator Instructions]

We take our first question from Aaron Warwick with E.S. Capital [ph].

Q: First question I have for you is this, I think, now the third call that you guys have mentioned new part numbers that you've been working on and struggle through. And I'm glad you provide that clarity that there shouldn't be these issues as you continue to make these parts. I'm just wondering if you can give us a sense of how many new part numbers there are, in total, over these past 3, 4 quarters that you've been working on.

Alexander Shen - CEO & President

Say that question again. These past few quarters we've been working on, how many part numbers we've been working on?

Q: Yes, how many new part numbers have you added that you're capable of producing now versus what you were before?

Alexander Shen - CEO & President

Well, what we're capable of is more than what we're doing.

Q: I understand that. But in terms of the new ones that you've worked on, how many different part numbers has that added to your capabilities?

Alexander Shen - CEO & President

I'm not going to be able to give you an exact number.

Q: Well, I'll accept a ballpark, if you want to do that. I mean I don't know if we're talking 10, we're talking 2 or 3, 25. I don't know...

Alexander Shen - CEO & President

It's less than 100. It's more than 10.

Q: Okay. I'll take that answer. Okay. So okay. Somewhere between 11...

Alexander Shen - CEO & President

So I do have to state that we've been specifically instructed by our customers to refrain from detailed comments, very specifically instructed. So excuse me, it's not me.

Q: Believe me, I don't take any offense at it. In terms of the \$4 million that you said you booked in July, this is the first time I remember you guys calling out a specific number in a specific -- and I don't know if that was because a relatively weak quarter. Or is this something that we should expect to see as the submarine business ramps up, this type of run rate, maybe not necessarily \$4 million, but this sort of high number like that? Is that something we can expect to be repeatable in the future.

Alexander Shen - CEO & President

I think, certainly, this 3 months of very low backlog increase followed by 1 month of very comparatively high, \$4 million sales orders, we were able to successfully secure in July. Certainly, that lumpiness is something that we should be expecting. It goes up and down. I don't know that -- I'm answering your run rate question. I don't think we can expect the run rate of a steady \$4 million every single month run rate, and that is certainly not what we're indicating.

Q: Yes, [indiscernible]. But I wanted to clarify. We've learned here recently that BWX Technology has exited, stated this publicly, exited welding on the missile tubes. And I'm just wondering related to that, you've talked several times about the \$100 million opportunity over 2 years. And I'm wondering if that opportunity because of them exiting that market, if you believe that has increased for you.

Alexander Shen - CEO & President

I think I've stated there's numerous times on different calls, but let me state this again. Regarding that particular company and anything related, my lips are sealed by all my customers. So I will not be able to comment on that one way or another.

Q: Has the \$100 million opportunity increased since the last conference call you held in whatever it was June or July?

Alexander Shen - CEO & President

The opportunity remains fairly steady. It's dynamic, so the content of it changes. But the opportunity continues to be strong. It has not gone below.

Operator

Next, we go to the line of Mark Gomes with Pipeline Data.

Q: Kind of rewording one of Aaron's questions a little bit. Would you acknowledge that BWX has been a competitor of yours traditionally?

Alexander Shen - CEO & President

I am going to reiterate what I just iterated that I am lip locked on anything -- any comments regarding that company.

Q: Got you. Okay. So...

Alexander Shen - CEO & President

I hope you understand.

Q: I understand completely. Generically speaking, do you find it bullish or encouraging when a competitor exits one of your markets, generically speaking?

Alexander Shen - CEO & President

I think it would be foolish for me to try to answer the generic question when I just answered the specific question. You're just reworking it generically. So let's try not to do that, please.

Q: Understood. So I ask on every call, your level of excitement in recent quarters reached new levels, boy, your tone of voice remains professional. So I'll ask again, as I do every quarter, has your level of excitement changed at all since the last time we spoke?

Alexander Shen - CEO & President

My level of excitement has absolutely not decreased.

Q: Fantastic. And my final question would be with regard to -- so I get a sense of your operating leverage. Under the assumption, and we're certainly not assuming or nor asking you to provide guidance to the -- to this effect. But under the assumption that your revenues in a given year increased by \$10 million from where they are right now, approximately how much SG&A expense would you have to add to your operating lines to support that, an additional \$10 million of revenue?

Alexander Shen - CEO & President

I don't think that can be answered with a straight-line approach. And it's not linear. It really depends on the content. Each specific part number may require different types of SG&A to be expended on it.

Q: Understood. Could we get a ballpark [indiscernible] in the 10% range, 30% range? Just...

Alexander Shen - CEO & President

I think it would be foolish to -- let me do this. From my standpoint, I think it would be foolish to try to ballpark something that I don't have content on yet. Let me hand it over to Tom to see if he can ballpark it for us.

Thomas Sammons - CFO

It will definitely not be a proportional or prorated, I should say, increase. And I don't see a large incremental SG&A expense with increased sales.

Q: Do you see at this point in time -- do you see the ability for you, given the infrastructure and personnel that you have right now to support more revenue without increasing SG&A significantly at all?

Thomas Sammons - CFO

Well, when you say significant, do you mean more than 20%?

Q: Well, certainly not that. I guess, my question is getting at, do you have kind of idle capacity in terms of, a, obviously, your infrastructure; but in terms of personnel?

Alexander Shen - CEO & President

So I think we all realize that I am -- Tom and I are an old hand at operating lean and efficiently. So if we had idle capacity, we're probably not doing our jobs well, and we should be fired.

Q: Okay. So as of last quarter -- because this quarter's results were a little lower than last quarters. But so the level of efficiency that you had last quarter and the level of efficiency that is implied by the guidance you've provided regarding your backlog and that most of that will be done throughout the rest of the year, do you feel the need to increase your SG&A by more than 10% or 20% from current levels to support that?

Alexander Shen - CEO & President

No.

Operator

Next, we go to the line of Ross Taylor with ARS Investment.

Q: Gentlemen, back in the early 2000s, the U.S. Navy decided to make a leading-edge technology called Permanent Magnetic Motors, the tool to power Zumwalt-class destroyer. Northrop was put in charge of that project, and they brought in DRS, who brought in Ranor at the time to build major components for that PMM engine or motor. And while the Navy was not able to use the PMM in the Zumwalt, the problem -- it was basically too advanced to get all the problems worked out and basically not getting it bastardized as in what forever. It was, in the end, tested and approved by the U.S. Navy per statements made by Ranor in public filings. Now Ranor believes a lot in this technology, and they actually talked about it in public filings through 2005 and 2008, including showing photographs of the project they were working on for the Zumwalt. Now, as I said, at the time, the PMM was too advanced,

but it did get up, it did get working. And everything I read about the Columbia-class power system sounds to me like it's a PMM. It's got Northrop running the overall. It strikes me as this is probably the modern manifestation of what you tried to do and what you successfully did with the Zumwalt. And given that you, I think, are probably the only company in the United States that can produce the type of system at the scale and size that was needed, both for the Zumwalt, but also for the Columbia, it makes no sense to me that part of your backlog or part of what your future backlog is in the Columbia class is going to come from this system. Am I wrong in that assumption? You can say no comment, which I'll take it as a yes.

Alexander Shen - CEO & President

Okay. I'll take you up on that.

Q: Okay. No comment. Okay.

Alexander Shen - CEO & President

[Indiscernible] contain Columbia class, without a doubt, Ross. Absolutely. Our backlog contains Columbia class without a doubt.

Q: Right. And as I said, it appears to me that everything I read, this type of technology, this PMM-type technology is what is going to be used to power the Columbia class. Now at the same time, or soon after Ranor started to talk about the use of PMMs for using the wind industry in its public filings, it promoted these capabilities and its unique capabilities in everything from its own filing to green technology conferences as a way to address the PMM need and usage in the wind industry. Today, from what I understand and what I've been told, PMMs are essential to the offshore wind power business.

Given that you're located less than 100 miles from New Bedford, which is one of the major offshore servicing, I'd call it, centers or ports, handling the Northeast offshore wind industry, given that these systems are quite huge and makes them both expensive and literally difficult to ship, I would assume -- and my question is: Why are you not taking advantage of an opportunity that back in the early 2000s, you saw as perhaps a central core? Everything I pick up and everyone I talk to tells me that Ranor is one of the handful of companies, very small handful of companies that can address this need, that this need is growing that we're looking at, perhaps in the outcome of this election, a green revolution and more money being pumped into green energy and you guys have a capability of addressing something that would be, I think, a very unique green energy play would make TechPrecision a lot more than just a one dance pony. It would give you what I see as valuable new markets, which would generate substantial revenues, earnings and free cash flow for the company. You've proven you can do it. I think it would help diversify your business. And I'm not sure the Navy wouldn't be happy to see you guys have stronger free cash flow coming from other areas.

So given that you can do this type of thing. And given that others outside this company know that Ranor can do this type of thing, unless somehow Ranor has lost technological capability in the last few years, I'm actually very concerned that not pursuing this avenue is actually putting shareholders at risk, not only because we're suffering today because we're not getting the earnings and the revenues and the cash flows, and quite honestly, the buzz that would come from being a major player in the offshore wind industry, but also because some of the people who are your competitors or potentially players in your space who might or might not

be looking for acquisitions, could easily recognize your capability, walk in, take the company private or take it out for much less than it's worth and bluntly then go off and execute the offshore wind strategy that I just laid out.

And we'd leave them making all of the money, and we'd be sitting there with nothing but frustration. So I'd like to say -- I think we need to push into this avenue. I think you've got the capability. And I think it's a really exciting business that would, I think, add a second leg. So we wouldn't be sitting here worrying about the lumpiness, and quite honestly, wondering whether some investors going to look at these numbers for the quarter and throw up their hands and say, "What's with me, why do I keep hanging on here?" When you guys are technologically, one of the most advanced, I'll call it, metal vendors in the country, and someone else is going to recognize that if you guys don't.

Alexander Shen - CEO & President

Ross, was there a question there?

Q: No, it's a statement of frustration. Bluntly, it's -- you guys are as good as anyone doing this. I don't know why you're not doing it. And as I said, I think that -- I honestly think, Alex, if you were thinking more as a CEO of a company that's going to have a long life, you'd be -- I think this would excite the hell out of you. I mean, this is a great market.

Alexander Shen - CEO & President

It would excite the hell out of me if there was real opportunity for money to be made. What makes you think...

Q: I think there is. They're going to do 80 to 100 of these offshore things for the year, for the next few years. I don't see how you don't make money doing it.

Alexander Shen - CEO & President

May I speak? May I speak?

Q: Sure, you can say -- hopefully, you'll say something.

Alexander Shen - CEO & President

What makes you think I don't have my finger on that pulse?

Q: Because you haven't talked about it. And if you are on that pulse and you see that opportunity, quite honestly, that's an incredibly exciting opportunity. I mean, they're going to do 80 to 100 of these a year for the next few years in the Northeast. And to me, you can't talk about the Navy, but you kind of -- we understand that. You've made it very clear. If you got into this space, you could talk about this. You can talk about this opportunity. I mean, you guys were the only people in the country who can make that PMM work. And that technology was so far and advanced, they maybe didn't have the capability of testing it, the whole engine, the whole system on a single platform, they had to basically test part of it, but it worked. It took too long, so the Zumwalt failed as a warship, but it did work. I mean, that's

a pretty cool thing. I'd be trumpeting that all day because it gives people a positive offset to kind of the waiting for the backlog to explode in defense, not just my thinking.

Alexander Shen - CEO & President

Understood.

Q: So if you have it -- if you are involved in it, I think it's something you should start to talk about, just because it does give us something we can talk about on the call. I think people are kind of -- we're all waiting for the Navy to get there. We understand COVID has held things up. We watch some of your competitors and we watch GD and listen to their comments, and we see where this is going. We see money is starting to flow in for both Virginia and Columbia. Things are going to start to ramp. I mean, you're literally hearing talk about the fact that there could be a shooting war against China. And if there is, we're well behind the curve on submarines. So there's a lot of positives in that business, but there are positives here on the offset as well. So I just wanted to bring it out and let investors understand this is a capability you have. And I would love to see you execute on it.

Operator

[Operator Instructions] Next, we go to [indiscernible], Private Investor.

Q: This is just a question in the group. I've been [indiscernible] your company for many, many years now and almost like it almost [indiscernible]

Alexander Shen - CEO & President

I'm sorry, I can't really hear.

Q: Yes. I've been an investor in your company for many, many years. And every conference call I listened in on is kind of hitting the replay button. We missed the mark. We had this problem. We didn't do that right. We're making parts that we don't know how to make, and it's costing us a lot of money. My question to you is really simple. Do you think you'll ever be able to make any money working for the Navy only? Or are you actively searching on avenues for revenue and profitability?

Alexander Shen - CEO & President

We are opportunistically looking at other opportunities, absolutely. We have deliberately chosen to be defense centric. We will continue to be defense centric. Our strategy is working well, especially given the current COVID-19 environment. Compared to other companies that are more commercially oriented, we were able to stay open the entire time. We were able to retain our entire workforce for the entire time. So I think things are working well. As regarding, can we make money working for the Navy? We can. We have proven that. The last 4 conference calls have not been going well from a financial impact standpoint. There are certain reasons for that. We've articulated those reasons. We believe in this strategy.

Q: Obviously -- it's obvious you believe in it because you keep doing the same thing. I just don't know if doing the same thing is going to get to where you want to go. That's just my observation. It just seems like you're spinning your wheels, and you're happy doing that.

Operator

Next, we go to the line of [indiscernible].

Q: I'm sorry, I try to withdraw my question. I apologize for that.

Operator

Next, we go to the line of Mark Gomes with Pipeline Data.

Q: Gentlemen, maybe for ratification, you could provide -- since you've chosen defense as the area of focus, and I'm on the -- I assume that you have substantially more capacity based on historical revenue that you've put up. So with that as the backdrop, what do you see as the key impediments at this stage to being able to ramp up to full capacity in the opportunities that you are pursuing without providing obviously any details? But just in general, the defense environment that you're involved in?

Alexander Shen - CEO & President

I don't see any impediments.

Q: Well, that would imply that you're running at full capacity right now then? Or...

Alexander Shen - CEO & President

That is not what I imply. That is what you're stating, Mark. So I don't see any impediments to our growth because this is the right track that we believe in. The view that we have is a much more long-range view over a number of years. For example, when you go into a block of production for Virginia class that would span a decade. So the...

Q: And that's what I was...

Alexander Shen - CEO & President

Sorry, could I finish, please?

Q: Absolutely. Just -- my question was different, but that's okay.

Alexander Shen - CEO & President

So the view that we have of going from quarter-to-quarter when period of performance spans more than a quarter, sometimes it spans more than a year. It's a little bit frustrating to all of us when we're looking at added quarter-to-quarter. I am part of the frustration against myself. It would be so much easier to look at without the lumpiness. I'm done.

Q: I understand. Right. And my question is not meant to be on the offense at all, it's informational, right? You have a certain amount of capacity, and I have every belief that you are positioning the company to utilize as much of that capacity is humanly possible over the greatest span of time. So what I was getting at is: What are some of the qualitative aspects

that need to be, what's the word, that we need to deal with in the near term to get to that point?

Alexander Shen - CEO & President

So I think the question really is the speed of ramping up to our desired full capacity. And the speed of the ramp-up, it depends on the flow of orders and the speed of the flow of not just the orders, but the infrastructure support that comes through it from our customer base. Our customer base, the defense-centric customer base, as we've seen in all the public information available, there is much more outsourcing that is happening from both shipyards, Newport News as well as Electric Boat. The -- they're actually outsourcing what they have built in-house before. On many part numbers, an incredible amount. I don't know what the number is that there are so many of them. I'm only aware of the few that I get a chance to take a look at. The -- I think the speed at which the outsourcing happens is also a function of how much outsourcing have they done on these part numbers that they've all traditionally made in-house before, that is a big factor on how to outsource to a vendor what they've always done inside. It's not always the easiest test. It's actually quite difficult many of the times. The -- our -- the impediment is the speed. And what we face with our Ranor subsidiary is some of that -- much of that is out of the control of the -- our Ranor subsidiary. As we work through each new part number that comes through the cycle at Ranor, the next time it comes through, it's much easier. So it's in our best interest to continue to be part of the trend of outsourcing and be outsourced and secure new part numbers and continue to do that and somehow help the speed.

Q: Right. Now this is stuff that I...

Alexander Shen - CEO & President

I'm just trying to describe it to you so that generically, we understand the impediment. It doesn't seem to be one thing, it's just the slow pace at which outsourcing something that was always built internally.

Q: Right. No, and via my research, I found confirmation of what you just said. I would -- and that's, by the way, one of the reasons I've become recently a substantial shareholder in your company more so than before. What I would submit and where some of the frustration that might come from folks, might come from is some of this might do well to be included in your opening remarks, so people that haven't done the research on what's happening might understand what they're invested in and why their patience should be rewarded. I guess...

Alexander Shen - CEO & President

Sounds good. Sounds good. We're going to write that down and see what we can do to have a little bit more of explanation, perhaps.

Q: Yes. Yes, because you just provided tremendous color commentary, in my opinion. And the only thing that personally, I would be curious of and again, under the assumption that most of the listeners here are not aware of what is publicly available. I understand that a lot of stuff can't be shared, but there is publicly available information that can be shared through this forum. And from that perspective, I would also be interested in understanding a little bit more, hearing from your perspective. From the publicly available information, what has

happened this year that has affected the defense sector that might have prevented some of what you would have hoped to happen by now from happening by now? And how that might be changing in the months ahead.

Alexander Shen - CEO & President

Tom, was there a question in there?

Q: Yes, that was the question. So looking at the defense sector that you target, there have been a number of things that have occurred this year beyond just the timing of outsourcing, you mentioned Virginia class. There's obviously, also the timing of those things being released through such that new opportunities, whatever they might be, come to fruition. And I'm wondering if there's any other color commentary that you could provide other than what you've provided thus far amongst publicly known information about things that may have hindered that process from being more accelerated than it has to this point.

Alexander Shen - CEO & President

Well, I think the only obvious thing that I can talk about is going to be the impact of COVID-19 because certainly, that has caused a workplace environment change and the way that the interfaces with our customers have been certainly restricted from a conservative trying to protect the people type of standpoint. There's workarounds that we are all working at making work better so that we don't lose production, productivity, and we don't lose time. The schedules need to be met. It's pretty difficult with the impact of -- the COVID-19 impacts are far reaching. We're one of the companies that was determined to be essential to the United States. So we were requested to stay open by the Navy as well as the 2 shipyards and every single one of our primes requested the same thing. I look around and certainly, some of our commercial customers in the past. They've been highly impacted order of magnitude more than our defense customers. I don't know that's answering the question, but the impact of COVID-19 is huge. So.

Q: It most certainly is.

Alexander Shen - CEO & President

So the commercial items that we're buying impacts certain things. So cleaning supplies, at one point in time, there was a lack of cleaning supply. So those cleaning supplies aren't just used for cleaning. There are certain other things that we do with them. So we all have to find different ways to -- alternatives to work around the lack of essential items that are non-defense rated but commercial, but that are required to create these defense-related components. So I think a lot of time is spent in trying to figure out how to meet the schedule and still get all the materials necessary, including all the commercial materials necessary. Perhaps that's too much of an operational answer. But the COVID-19 impacts are very far reaching. I'm just very grateful that we were able to stay open and retain our workforce and keep the place running, so we can have a chance to reach our goals. First thing first, stay open and be able to have people to do the work to generate the revenue. We're succeeding at that, and grateful to be able to do that. And we know that we need to do better. Our last 4 quarters, we've been talking about, as another commenter said, we have had quarters that are losses. We don't like that. I don't like that. We're going to improve that. COVID-19 is still infecting

everybody. We're staying open. And by the way, we have 0 cases of COVID. So we'd like to keep it that way.

Sorry for the long-winded explanation, Mark. But [indiscernible] that I could comment some more and perhaps add a little bit more operational color into it.

Q: Yes. I think you would find that the response to that would be very positive. It is to me. I appreciate every detail. It helps quite a bit. I'm already aware of much of this, but many of the folks on this line are not. And I can tell you, for myself, this is very helpful information. The last thing I would say, in light of all of these challenges that you face that many people have maybe not been aware of to this point, is it fair to say that each new day, week and month, it's getting better, understanding how to handle these challenges. People are figuring it out, and we're slowly getting to the point where things can be more productive, is it fair to say that, that is happening?

Alexander Shen - CEO & President

Tom? I think Tom wants to comment now.

Thomas Sammons - CFO

No, I just said as we -- yes, things are opening up some, and we're hopefully getting back to our normal lumpy self.

Q: It sounds like it, given your backlog plus years you received in July and saying that you're going to get most of that done by the end of the year, it sounds to me like things are getting better.

Operator

Next, we go to the line of [indiscernible], Private Investor.

Q: Hopefully, a pretty straightforward question, you started to answer it a little bit in some of your previous remarks, but as you talk about your decision to be a defense-centric company with your Ranor subsidiary, can you just give us -- can you help us understand why you made that decision? And why you might be potentially giving up opportunity costs in other areas, [indiscernible] business to focus on the defense sector?

Alexander Shen - CEO & President

Why we selected the defense sector?

Q: Yes. Why you've really made a focus of becoming a defense-centric company, as you've referenced?

Alexander Shen - CEO & President

So I joined, let's see, 6.5 years ago. Before I came on board, I was reviewing what Ranor subsidiary had done in the past and what dire straits they were in when I took the company over. The lack of strategy needed a strategy to -- we needed a strategy to work with. It needed

to be customer-centric, and it needed to be married to the operational capabilities of both the people and the machines and the processes. Ranor is very good at doing complicated parts that are high specification-driven difficult parts and large parts. We don't make small widgets. There's large complicated parts that need to meet a great number of specifications. And there are two plants on site.

One is a welding fabrication type of a plant, and the other one is a machining type of a plant. We needed to take those capabilities and find a set of customers that would not just be furnishing work for a job shop, onesie, twosie, but really over an extended period of time provide some type of a base load that could be counted on. So in looking at that, the United States government is the biggest consumer in the entire world. And the defense industry happened to be a piece of what Ranor was providing. So as we looked through -- Tom and I looked through the customer base, it looked to be the best recurring opportunity was the defense-centric opportunity. However, we think it's wise to keep our eyes open and be opportunistic at any other opportunities in the industrial sector and the nuclear sector and different sectors that Ranor was in as well.

So having said that, we go back to what are the repeating part numbers that have constantly repeated through the history of Ranor, the repeated part numbers that have constantly repeated, there are none. If you go past a few number of years and a project ends, then the repeating part number part of it also ends. At one point in time, I think there were these nuclear, these casks, but that business ended. However, when we look at the defense industry and the long-lived nature of the Virginia-class attack submarine, we're currently on Block 5. There has been a tremendous number of these built, and then there's going to be Block 6 and Block 7. That's also already in the public eye. So that's public information. The opportunities continue throughout. So -- and wanting to make sure there's a base load and not have the floor drop out from under us. That was a studied decision to make ourselves defense centric and the 2 shipyards centric and through them, the primes that are also the same, serving the same Virginia class and Columbia class was coming on. Columbia class is the replacement of current Ohio class.

There are 12 boats scheduled for Columbia class, and that opportunity spans over 3 decades of work. We saw early on that the capacity needed to support those 2 classes of submarine was not completely supported by the shipyards themselves any longer. There was indication of inclination of outsourcing, which now has been pretty publicized. So in essence, the repetitive nature of incumbent part numbers is very attractive. And the longevity of the intended baseload driven by Virginia class and Columbia class is very attractive, more attractive than any other opportunities over the long term. But we still need to be very aware of and be very opportunistic on pursuing other areas, nondefense as well.

Q: Excellent. That's very helpful information. And then one last question from me, and it may seem obvious. But are you confident that if you continue to execute with your defense customers that TechPrecision will become a profitable company that will generate significant revenues and cash flows in the years to come built off of that recurring revenue base from your defense customers?

Thomas Sammons - CFO

Business question, not finance.

Alexander Shen - CEO & President

It's a business question, not finance. That's what Tom is whispering to me over here, Michael. I'll try to tell him, okay, answer the question. Well, the business question is, yes, I am confident. And the -- Tom and I didn't come over here, if we were not confident on the long-term possibilities but also on the short-term to be able to recover the company and get it back on track and get it healthy enough and actually get away from nontraditional banking to a regular bank. So we've done all these things and put ourselves back in the -- what did you say, Tom? In the normal...

Thomas Sammons - CFO

Lumpy situation.

Alexander Shen - CEO & President

In the normal lumpy situation. We're finally a company that's in the normal lumpy situation. The question in front of us is, "Are we confident we can make money doing this?"

Thomas Sammons - CFO

If we weren't, we would change -- we would have to change to do something else.

Alexander Shen - CEO & President

Yes. We're not afraid of change. That's what we are, change agents, as part of our makeup. We changed Ranor to become more stable, and we see better stability and the ability to make money. How much money? Remains to be seen, but the opportunity is huge.

Q: Awesome. And one quick question that I'll just follow-up with. Do you have a time line over which you're evaluating that defense-centric strategy where obviously you mentioned if you needed to change that you would, is there a time line that you envision where if it wasn't coming to fruition, you would reevaluate? Or do you see any need to reevaluate at all over the coming years based on the information you have?

Alexander Shen - CEO & President

I think it's foolish for us not to continue to reevaluate as we go along. Sometimes, I think it's going the quarter-to-quarter look is not the right look because the period of performance spans more than the quarter and sometimes it spans more than the year. The -- it depends. But the reevaluation has to be constant. We need to continue to reevaluate and not take it for granted. What has changed? Is everything okay? What is different? Is okay acceptable anymore? Do we need to -- what adjustments do we need to make? Because the blocking and tackling might need to change, where, overall, the strategy may not, but the blocking and tackling itself, the daily management might need to change. And it does change. And those adjustments must be made. We're making those adjustments now in spite of COVID impacting all our consumables that are regular commercial items. We're taking those changes, and we are finding alternatives to doing the work. The respirator masks that were completely off-the-shelf anymore. How do we do our work without the respirator masks? Well, we need to get different ones? Where do we get those? How do we do that? Where do

we buy that? Our supply chain is broken because of COVID. Okay, well, find another different supply chain for respirator masks.

That's just one specific item. But I think the evaluation goes much deeper than just an overall overarching strategy itself, but the ability to execute the strategy down to each worker, down to each piece of their protective -- personal protective equipment, down to each piece of what they actually use as their tool, their insert. There's a number of items that really need to be evaluated again and again over and over, just to make sure that we have what we need to not only pursue more but to maintain what we have. The maintaining of what we have is absolutely essential in guaranteeing our future to go get more. I don't know if I'm making any sense.

Q: Definitely. And that's all from me in terms of questions, and I'll echo Mark's comments that the additional color that you've provided over the last few minutes has been extremely helpful, me and I'm sure even more helpful to investors who aren't quite as familiar with the business that you took over and how it's progressed over the last 6 years.

Operator

Ladies and gentlemen, our question-and-answer session is now over, and we turn to Alex Shen for closing remarks.

Alexander Shen - CEO & President

Thank you, everyone, for your time. Have a great day.

Operator

Thank you. This does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time. Have a great day.