



POWER MECH®

Date: 05.06.2023

To
The Corporate Relations Department
BSE Limited,
Dalal Street,P.J,Towers,
MUMBAI- 400001

To
National Stock Exchange of India Ltd
Exchange Plaza,
Bandra Kurla Complex, Bandra (E),
MUMBAI- 400051

Dear Sir/Madam,

Sub: Transcript of the earnings call for Q4 and Year Ended 31.03.2023

Ref: BSE Scrip Code: 539302, NSE Symbol: POWERMECH

Pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015, please find enclosed the transcript of the Earnings Call for Q4 and year ended 31.03.2023 held on Wednesday, 31.05.2023 at 3.30 PM IST.

The transcript is uploaded on the Company's website at <https://drive.google.com/file/d/1g8SIULCbngAhZM0OnRmOSu-TMwX84kbQ/view?usp=sharing>

This is for your information and necessary records.

**Regards,
For Power Mech Projects Limited**

**Mohith Kumar Khandelwal
Company Secretary**

Encl:A/a



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AN ISO 9001, ISO 14001 & OHSAS 18001 CERTIFIED COMPANY

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“Power Mech Projects Limited
Q4 FY’23 Earnings Conference Call”

May 31, 2023

Disclaimer: E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the Stock Exchange(s) on 31st May, 2023 will prevail.



MANAGEMENT: **MR. S.K. RAMAIAH – DIRECTOR, BUSINESS DEVELOPMENT – POWER MECH PROJECT LIMITED**
MR. JAMI SATISH – CHIEF FINANCIAL OFFICER – POWER MECH PROJECTS LIMITED

MODERATOR: **MR. PRASHEEL GANDHI – NIRMAL BANG INSTITUTIONAL EQUITIES**



Moderator: Ladies and gentlemen, good day, and welcome to the Power Mech Projects Limited Q4 FY '23 Earnings Conference Call hosted by Nirmal Bang Institutional Equities. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prasheel Gandhi from Nirmal Bang Institutional Equities. Thank you, and over to you, sir.

Prasheel Gandhi: Thanks, Vikram, and good afternoon to all participants. And Nirmal Bang Institutional Equities welcomes you all to 4Q FY '23 Earnings Conference Call for Power Mech Projects. From the management team, we have S.K. Ramaiah, Director, Business Development; and Mr. Jami Satish, CFO.

I now hand over to the management for the opening remarks, post which we can take questions from the participants. Thank you, and over to sir.

Jami Satish: Dear friends, good afternoon. This is Satish. Also with me Mr. S.K. Ramaiah, Director, Business Development. Once again, welcome you all to the earnings call, quarter 4 and 12 months FY '22-'23. We are happy to share various developments of Power Mech during the recent period. Overall, the performance of Power Mech is well within set plan and is in line with our internal targets. Performance for the company continues to be robust and healthy.

Let me first start with quarterly and yearly performance with numbers. The reported total income for quarter 4 FY '23 is around INR1,183 crores. This is once again all-time performance in the history of 24 years journey of Power Mech in a single quarter. And the reported EBITDA is close to INR140 crores and the reported PAT for quarter 4 is around INR75 crores.

During quarter 4 of last financial year, the total income was INR905 crores and EBITDA was INR97 crores and PAT was around INR48 crores. The total income has gone by almost like 32%, whereas EBITDA has gone by almost like 43% and PAT has growth of almost like 58%, which is quite robust.

The revenue for quarter 4 FY23 is as follows. Erection business has contributed INR148 crores, whereas last year it was INR521 crores. Civil business including railway, water and distribution, specialized construction, power related civil work it has contributed close to INR760 crores, whereas last year it was almost like INR516 crores. Operation and maintenance has contributed INR247 crores, and last year it was around INR217 crores. Electrical business it has contributed close to INR18 crores and last year it was INR17 crores.

The domestic business has contributed close to INR1,070 crores, which is close to 91% and the rest has come from international business, which is close to 9%. Whereas during quarter 4 of last year, the domestic business has contributed close to 85% and international business has contributed almost like 16%.



Similarly, the power sector including operation and maintenance, power related work, during quarter 4 it has contributed 43% and non-power is almost like 57%. Similarly, during last quarter -- last year, it was almost like 56% and 44%. Similarly, the total reported income for 12 months, the entire year FY23, is close to INR3,618 crores, whereas last year it was almost like INR2,728 crores. There is a growth of almost like 33% and the EBITDA for this year is close to INR421 crores, whereas last year it was INR303 crores. There is a growth of almost like 39% with increase in the margin and PAT for this year is close to INR209 crores, whereas it was almost like INR139 crores during last year. There is a healthy growth of almost like 50% plus.

And in terms of revenue mix, erection business has contributed almost INR606 crores, whereas last year it was INR521 crores. There is a growth of 16% in erection business on a 12-month basis. Civil business has contributed almost like INR1,995 crores, whereas last year it was INR1,290 crores. There is a growth of 55% and O&M business has contributed close to INR930 crores, whereas last year it was INR804 crores. There is a growth of almost 16% and electrical business has contributed INR69 crores, whereas last year it was INR93 crores. There is a fall of almost like INR24 crores, which is 25%.

And on a 12-month basis, domestic business has contributed almost like 88% and international business has contributed 12%, whereas last year domestic business contributed close to 84% and international again 16%. And the revenue mix between power and non-power on a 12-month basis, power has contributed close to 54% and non-power 46%, whereas last year the mix was power 62% and rest has come from non-power which is almost like 38%.

The growth in business is significant. The above growth is on account of strong order book base, increased in-house execution bandwidth. Improvement is also seen in overall margin profile and the same is further expected to improve gradually. Depreciation cost as a percentage to revenue remained lower side due to planned capex spending. And finance cost, again as a percentage to the revenue, remained lower side and continued to be controlled on account of improved working capital cycle and cash flow management.

With better deployment of capital and improvement in margins, we have also seen improvement in return on capital employed and return on equity, which is quite healthy and we see this improving going forward too.

The overall execution bandwidth is seen increasing quarter on quarter on account of various initiatives and strong increased in-house resources. Company is well set to execute projects now in the range of INR900 crores to INR1,500 crores per quarter.

Other recent developments and updates include, for the project executed and completed at Andhra Pradesh; Andhra Pradesh Medical Tech Park, We have received during last week the entire amount of INR42 crores plus from AP government. This was held with AP government for a long time in spite of we being completing the project on a record time. The realization is a major development for Power Mech and will help in a big way to improve the cash flow and also the overall liquidity for our growth.



Also the retention and money of around INR20 crores which is due now is expected to be realized next 30 to 40 days. All final leg works already been done and we are quite confident of getting the INR20 crores next 30 to 40 crores. With that the amount of AMTZ will be completely recovered.

Generated positive operating cash flow during the year is around INR180 crores plus and the free cash flow is around INR120 crores plus which is quite healthy. And we are also working on the same to improve further. The average monthly collection of the company is seen improving month on month basis with the growth in the business. Collection ranging per month now it is in the range of INR320 crores to INR400 crores which is significant.

More importantly the net current days excluding cash and cash equivalent is substantially -- on account of improved working capital cycle, change in business mix and change in customer concentration. The net current days has come down to 130 days as on 31st March 2023 and the same used to be 150 days as on 31st March 2022 and 205 days as on 31st March 2021. There is significant improvement in the overall working capital cycle.

Now the gross debt and the net debt remain controlled, despite growth in the business and order book. FY23 if we see the gross debt is around INR470 crores and the net debt is INR241 crores whereas it was INR527 crores and INR320 crores during FY22. The debt to equity as on 31st March 2023 is around 0.37 as against 0.51 as on 31st March 2022. Similarly, the net debt to equity has come down from 0.35 to 0.19 as on 31st March 2023 and there is reduction in debt equity ratio which is quite healthy.

The company is continuing taking various steps to strengthen its resources including strengthening ERP IT base leadership training programs, focus on safety and quality, strengthening supply management system because of increase in material component in our business model and also the risk management.

There has been continuous induction of the senior management from different experts from different industry to strengthen our execution capability and also to strengthen the senior management level, so that we can sustain our growth and cope up with the changes. Recently we have inducted Mr. Surendra Babu Akkala and he has joined as Head of MDO business. He has vast experience of more than 30 years in the field of development and augmentation of several coal and iron ore mine blocks in India.

He was earlier associated with Western Coalfield, Central Coalfield, Southern Coalfield Limited in various positions and also with Adani Enterprises Limited as a Senior Vice President in natural resources and mining business.

Apart from that Mr. Ratnadeep who has joined as Senior Vice President Business Development and Operation Head, especially he is in charge of the business development and operations in Saudi and Bahrain. Following a meticulous academic phase in electrical engineering and global business management, as well as a tremendous vast experience of 18 years in international business development, strategy, business turnaround and global operations.



He gained solid knowledge in process optimization and strategic partnership building, growth etc. Earlier he was associated with reputed organizations like ABB, Seimens, Smith Interconnect etc. So, his experience will help in a bigger way in developing the business operation, especially in the Saudi market.

Along with him Mr. Srinivas who is the CEO of International Market will be concentrating on Nigerian market and Ratnadeep will continue to Head the Saudi market. It will help in a big way to improve the international operations business.

Now coming to the order book, the order backlog as on 31st March 2023 stands at INR23,000 crores plus. For the entire year of FY23 and '24, the current financial year, the company has set a target for achieving new orders of INR10,000 crores. This is including the spillover orders of around INR1,200 crores plus the projects which are on L1 status close to INR1,400 crores and the projects already added during quarter one of the current financial year including around INR720 crores and they are quite confident that these INR10,000 crores numbers can be achieved.

We have identified different projects, domestic, international in different segments close to INR40,000 crores plus and the conversion of INR10,000 crores is quite achievable. We are also expecting good amount of order booking and execution cycle at International Market too. Now the team has been strengthened because of COVID there was a lag of two years, but now the momentum is picking up.

We had a major breakthrough at Nigeria, Dangote in O&M and there are multiple follow up discussions happening. So, we are expecting close to INR500 crores of order booking in international market too this year.

The existence of strong in house risk management policy, team to review each project progress, identify the associated risks, helping us to proactively mitigate at early stage all the associated risks in various ongoing, as well as new projects. Various initiatives taken a few years back helping us now for a sustainable growth across all the verticals in a large way.

Now the targeted business segments broadly include international operations, both the O&M and the traditional mechanical business, we are targeting close to INR400 to INR500 crores. Operation and maintenance, domestic including the projects which are getting renewed during this year, we are expecting close to INR1,000 crores plus.

Power business, the traditional because lot of projects are coming up, especially the projects which are getting revived. Civil, Power and the FGD put together we are targeting close to INR2,200 crores. Of this, already the projects which are L1 includes close to INR1,200 crores. On top of that railway, metro, we are working aggressively, the depot, ETC, we are expecting close to INR1200 crores.

Material handling, we are targeting close to INR500 crores. Water distribution, we are targeting close to INR2,600 crores, mostly Madhya Pradesh, Maharashtra. And specialised construction, around INR450 crores and electrical business, INR450 to INR500 crores. The company has built



strong expertise in execution and business development. Now for the Power Mech, the opportunities are many to choose.

Standalone and pre-qualification to bid for, any new project for Power Mech, increases significantly in projects like railway, road, water, IO, O&M, material handling, EPC and specialized construction. Execution for FY24, FY25 and FY26, next three years is going to be robust and healthy on account of improved order book, large targeted projects in pipeline and increased execution run rate for month.

Also the margin profile, we have seen improving and expected to improve further gradually. We are working to build business model to have recurring long-term service model income to the tune of INR3,000 crores plus, that is including operation and maintenance and the MDO operation from FY26 onwards.

In addition to the business growth, this will help in improving margins. This INR3,000 crores pie is expected to improve at least 18% CAGR from FY26 onwards. So, this will help in a big way. Moreover to a large extent, it will also help improving overall working capital and cash flow.

Now I request Mr. S. K. Ramaiah to update on various other developments before we get into Q&A session. Thank you.

S. K. Ramaiah:

Yes, thanks Satish and good afternoon to all our participants. Satish has given the overall numbers of the revenue, the order book position and the numbers on the financial side. What is important to understand is that basically, I would like to emphasize that, the market has opened fully for us. We are seeing much of penetration is there, and thanks to this National Infrastructure Pipeline, which is under implementation for the last three to four years. This is visible in terms of the value of the orders what we have booked in the preceding year, almost, it is 100% more than the previous year, what we have booked about INR4,231 crores in 21-22, and this, preceding year it is INR8,479 crores, almost 100% increase.

Some of the major orders what we have taken are in FGD retrofits, infrastructure jobs, railway jobs, significantly railway and metro jobs, then, some of the maintenance jobs, and also on the traditional jobs on the power plant works, which has happened in Godda 2x600mw in Jharkhand, etcetera, BMRCL, metro maintenance job, what we are doing is a very interesting job, about INR427 crores. For that, opens the path for the entire metro of opportunities, of about 27 cities getting covered, with about 14-15 cities are coming up with new Metro net works. and this is the type of opportunity which we have seen.

If you look at the overall figure, for the year excluding the MDO development, the backlog of the order, which was INR8,855 crores as in last year, March '22, it has gone up to INR13,733 crores, almost 55% increase, and the significant contribution has come up in the FGD business, on the mechanical side, almost 4 times the backlog has gone up from INR1,650 crores to INR6,879 crores. Civil works, there is a modest increase from INR5,842 crores to INR6,136 crores, and O&M, yes, last year there had been some of the opportunities got postponed, as there is a dip in the overall backlog, and electrical is more or less the same. Overall increase in the



order backlog is 55%, and on the domestic side continues to play a leading role because of the opportunities which are available in energy sector, infrastructure sector, railway, and various other non-power sectors. Domestic sector almost contributes to the backlog of 97%, and international, as Satish has said, of the post-COVID, there had not been a direct investment coming up in the Middle East, Gulf region, and now perhaps it will open up.

Then the power sector business is significantly geared up at 66%, INR9,131 crores to the backlog. Non-power sector is INR4,602 crores of 34% of the backlog. This also is a good product mix which is there. Therefore, overall, if you look at some of the major jobs what we are executing as on today, we are executing Udangudi job, one-third of the job we have completed, that is in Tamil Nadu. Buxar, also 2x660 megawatt boilers for L&T in Bihar, about 32% completed.

Bhusawal is under advanced stage of completion, 85% for INR285 crores. For the bigger jobs, the, INR813 crores, of Yadadri we are at 70%. Maitree, Bangladesh, INR855 crores, we are at 80%, and a very interesting thing, what is happening in the is drinking water, of INR2,927 crores, as the original order value, it will significantly go by 30%-40%. That we have done almost 15% in the last year, and this year it will further improve a lot..

Then some of the road projects in Telangana and also in Karnataka and Mizoram, we have done about 40%-45% of the work, and Adani work we have already taken up in Telangana. BMRCL is an interesting job, the Metro Maintenance Depot construction job, that we have already started the work.

In terms of the manpower deployment. based on optimization, redeployment, and proper utilization of the skills available in different segments, infrastructure, installation, O&M, exports, contract management, business development. I think, we have done a significant exercise on improving and better utilization of the manpower. It has almost come down by 10% in spite of the increase in the order backlog and the turnover. That is where it is also to some extent contributing for the better margins. At the end of last year it was 32,000, now it has come down to 28,500.

Now, I would like to bring out certain developments from the major segments of the work. Railway jobs, today we are doing eight major jobs, about INR1,300 to INR1,400 crores. And most of the jobs are doing pretty well, railways and metro jobs. On drinking water, which is happening in the UP for three areas, Bulandshahr, Etawah, and Pratapgarh/ Fatepur. The order booking is expected to go up based on estimated work to be done, the original order which was awarded around INR2,720 crores is expected to go up to INR4,347 crores, based on the project approvals of the individual villages and blocks.

And therefore, about 2,903 villages will come for implementation, the good thing is that we have provided 100% drinking water for about 102 villages. Therefore, that the company having diversified into this segment it is a good beginning, in working in different villages, and we are having a distributed mechanism for managing the various villages with key managers posted district-wise and area-wise, that is yielding results for us. We have completed last year about nearly 571 crores of work.



These projects are well structured in terms of payment terms without any retention, and there is an advance of 10%. We are focusing a lot on this, because there is so much focus on investment from the government side also, because of its need in providing drinking water for the villagers.

Now, coming to the outlook for the current year on what are the opportunities which will come up down the line, I think, a broad figure, what Satish shared was INR10,000 crores order booking. It should be possible based on the track record and the market availability of the opportunities. There are a couple of developments which helps us to understand this. One is that there is a revival of some of the stalled power projects about 5,270 megawatts. Monnet Ispat 2x525mw, then Athena Power, Meenakshi 2x350mw, Amarkantak 2x660, then Ind Bharat 2x350mw etcetera. And already we have entered in Monnet Ispat for Boiler left over work. We have taken this job from JSPL, who are the new developers. On Athena we are aggressively following with Vedanta Group for the 2x600 megawatt and about INR400 crores of offer has been given and we are well placed to get the entire job of that. That is the leftover job related to Boilers, TG, Civil, Electrical etc.

Now the company has developed expertise in undertaking left over finishing jobs that we have demonstrated in Godda of 2x660mw for Adani Power, and also Monnet Ispat already we have mobilized there. So this is the revival of many projects. There is also information on the new green and brownfield projects expected, particularly NTPC is planning 13 sets, and overall about 28 sets are expected of 660 megawatts to 800 megawatts unit capacity

We hope these developments will take shape to balance the energy mix between power and renewable. If that happens, another 21,000 megawatts of new Greenfield and brownfield projects should come up. Already there is 210GW of coal project installed base is available. 3x800 megawatts NLC is planning at Talabira in Orissa that has to take shape. And there are many projects from NTPC also in the pipeline. Therefore, these opportunities we are pursuing based on our expertise.

The recent diversification we have done in the mining side and the material handling and coal handling, we are executing at Kurmitar & Khurja. That should give us a lot of expertise in handling the EPC jobs. There are about 70 coal mining projects identified with Coal India itself, and Coal India is investing about INR50,000 crores. Apart from that, there is a huge emphasis on the capacity expansion of the steel plants from present 150 plus million tons to go up to say, 230 million tons by 2025/26.

And the immediate expansion, what is expected is all steel plants, for example, JSW, ArcelorMittal, Monnet Ispat and JSPL. They are planning to invest roughly about INR3 lakh crores to ramp-up the capacity by 60 million tons. Of course, the overall government target to enhance the steel capacity to 3000 million tons by end of this decade that is already there with the investment of \$156 billion.

Now, the expertise what we are gaining implementing the steel projects in JSW Angul, JSW Dolvi and then JSW Ballari, there are significant opportunities in this for the project work, mainly structural, mechanical, equipment, piping. and we will certainly take a call on this as this



is a good opportunity to pursue. In the case of drinking water, there is a significant progress and out of 19.5 crores of households, the balance of drinking water to be provided is for 7.34 crores households. Government has allotted funds of INR70,000 crores for this.,and opportunities we are tracking in UP,Maharashtra, in Madhya Pradesh, then Odisha, Karnataka. Where we are looking for a couple of projects..

Then, the electrical side, the ongoing investment, these are going to be there in the DISCOMs. Only issue the competition is pretty steep there, particularly DISCOMs investments and then transmission investments, INR2 lakh crores and INR2.5 lakh crores are coming up, and then most important opportunity is the railways. I think, we have seen the current budget, on roads and railways have been given bulk of the budget out of INR10 lakh crores. We are doing pretty well in both the sectors, railways and roads ,and we have now a significant organization set up is in place to implement all these opportunities .

So far as the O&M is concerned, some of the projects which were not taken up last year , it will be taken up in this year, both in the domestic market and international market. In domestic market, we are pursuing opportunities of more than INR2,000 crores, and we should be able to make around INR1,000 crores, about INR200 crores of renewables are there, and then we are already L1 in Raichur, about INR170 crores.

In Vedanta, we have taken some INR40 crores jobs. So that should give us a reasonable visibility for the O&M, so the O&M backlog should be improving. The other important area is metro projects, for example, what we have taken up, metro and rail projects, eight numbers which are under execution. The total government plan for expansion of metro network from 700 plus kms to 1700kms to reach 27 Cities.

We are working on many Railway works and also entered the Metro Maintenance Depot work and with this foray we will be looking at whether the main metro works also we can take up with some tie-ups that we are looking forward. And these are all very good investments coming up with a good implementation plan.,and with our expertise, what we have gained in civil work in the last , 10 years, perhaps it is doable .

Then balance FGD, around 60,000 megawatts are to be ordered. That we will be pursuing it. And drinking water, I told you, railway and metro. Then roads are also there. Many roads are going on an aggressive basis. And about four or five projects we are looking at it in Telangana, , Jharkhand,Karnataka. And we will see how to take it forward. Therefore, on an overall basis, we have identified about INR40,000 crores of opportunities in the domestic market and also international market. Nigeria, we have got a big set up there with the O&M work under implementation..

Nigeria is a growing country, 12,000 megawatts installed base. Then Ghana is there. Then the untapped Africa, things should open up in a big way. IN the Middle East, their plan is that plus 400 gigawatts of power, because of the COVID, there was a lull in the investment, both on the power sector as well as in the oil and gas sector. That should take shape now, because the plan in the MENA region is to ramp-up the capacity to 650 gigawatts. And we have got a strong presence in, we have got an office in Dubai. And we have worked in dozens of plants and



completed about 6,792 megawatts of plants which we have commissioned, and that experience and background probably should help us.

That is what I would like to say. Thanks for your time.

Jami Satish: Yes. Can we move to Q&A?

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We'll take our first question from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Yes, thanks for the opportunity. My first question is, obviously, you mentioned, see, last year, our order inflow was INR8,500 crores, approx, of which only one order was almost INR6,000 crores. So other than that, the order inflow was slightly lower. So what gives you confidence in terms of competitive intensity also is quite high. So what gives you confidence of almost INR10,000 crores order win for the next year?

SK Ramaiah: I think that comes, obviously, by the improved investment and the infrastructure and also the private investment which is catching up now. Because earlier, a lot of investments were in the government sector. Now the private investment also is catching up. And if you really look at the investments which are coming in various sectors, whether it is the infrastructure sector, roads, railways, the roads and railways visibility is very clear. Then energy sector also, some of the projects are getting revived in the thermal coal plants. And new coal-based plants are also expected, about 21,000 megawatts. Then on the industrial side, and then oil and gas sector, a lot of investments are being planned.

And the other area, what I said about the drinking water, still, you know, a lot of opportunities are there, and then FGD balance opportunities are there. Last year also, we had a significant breakthrough, but some of the things didn't take shape fully. We would have got more also. But now in this current year, the opportunities, what is available, and with the experience gained, and qualification also gained, the INR40,000 crores to INR50,000 crores of opportunities is a good base for us to target this INR10,000 crores order booking target.

Jami Satish: See, more importantly, we set a target of close to INR10,000 crores last year, okay. So that's taking various projects, including the FGD part, okay. So we did close to INR8,500 crores, around INR1,200 crores got spillover to this year. So we got INR720 crores and L1 status INR1,400 crores. Maybe next few days we'll add that. So excluding the INR1,500 crores, the additional is INR8,500 crores. Of that, the orders like O&M, the project which are going to be renewed, okay, that itself close to a larger number, close to INR550 crores, INR600 crores.

And international they've kept, because we didn't add much, we this time we're targeting almost close to INR500 crores. And apart from that, the large pie of FGD yet to be awarded. So we are already in advanced stage of discussions to find this. So on that, plus the traditional O&M, sorry, power, civil and the mechanical put together is close to INR2,500 crores that's adding up.

And water, we didn't add much last year because our kitty was full. Now, multiple opportunities are coming up, Maharashtra and MP, there itself we're targeting INR2,500 crores-plus, because



2021, almost 14 months back, we added close to INR3,000 crores of order book. We wanted to first focus on the execution. So 2022, we didn't add much seeing the backlog. Now the kitty was full. Now we intended to add, the execution cycle is going well on an average monthly, we're doing close to INR100 crores to INR150 crores run rate. So now there is an opportunity to add further. So we're trying to add INR2,500 crores there itself.

And the material handling, it's a quite large pie, okay. Slightly we have kept a target of INR500 crores to INR700 crores. So taking all these things, the numbers looks to be quite achievable.

Dixit Doshi: Okay. Second question on the Jal Jeevan mission side. So we have an order from UP. I think recently in last four, five months, many orders were given in the Madhya Pradesh as well. So are we bidding in the MP and any other states?

SK Ramaiah: Yes, we are aggressively focusing two, three projects in Madhya Pradesh, and then UP also. UP also, we are pursuing it because we already established a base, and perhaps Karnataka also, Karnataka about 50% Jal Jeevan mission projects have to be implemented. There is a lot of backlog there. And a new government has come, perhaps that will get the initiative, and Karnataka, we have got a good base now.

As we are doing Bangalore Metro work and then we are doing one in Raichur and other places. Therefore, that should help us to, as Satish, said, this is a focus area for us based on the experience what has been gained. And it is a good project to be implemented with strong investment because government is keen to invest the money in that. It has got benefits to the rural households. That is why we are focused on that.

Dixit Doshi: And just last question on this Jal Jeevan mission. So how is the competitive intensity over there? And margins in these projects will be similar to what our company level margins are?

SK Ramaiah: I think, we are comfortable with 15% EBITDA margins. And the PAT will be , reasonable.

Jami Satish: The size is quite large, actually. It gives the opportunity to, okay, of course, there is stress because the quantum is too large. And the rate at which it is working is quite good. Because if you see the PVC or the price escalation, not much, okay, increase in prices. And it is a short term contract, hardly 24 months. So we can easily work out 14% to 16%-plus, okay. But conservatively, it should at least beat our existing margins, that's what we're working on.

Moderator: We take our next question from the line of Deepak Poddar -- Mr. Poddar, please go ahead and ask your questions.

Deepak Poddar: Sir, I just missed the point you mentioned about the execution cycle. So what's the capability we have right now? And what's the rate -- and what is the rate that we are doing right now?

Jami Satish: See, now the execution, the bandwidth is well set in terms of the resources at manpower, the equipment base, okay, the infrastructure the manpower base in terms of skill, unskilled and everything put together. Now it's almost like around INR900 crores to INR1,500 crores per quarter we can execute. Because you see like we have demonstrated almost like INR1,200 crores in a single quarter.



Now ramping up INR250 crores to INR1,500 crores is well set now, okay? Gradually, we have to see over a period to 24 months, okay. Then the MDO stabilizes, okay, where to increase and all, maybe after, 2026, '27, will consolidate, which are digest to grow and let to restrict.

Deepak Poddar: So INR1,200 crores to INR1,500 crores per quarter is our execution capability, right?

Jami Satish: Capability, it's well set now.

Deepak Poddar: And what's the rate we are doing right now? You mentioned something about that?

Jami Satish: It's ranging between INR900 crores to INR1,200 crores because to quarter 4 itself, we have demonstrated for close to INR1200 crores. Now the resources in terms of the asset base and all, okay, the range is INR900 crores to INR1,500 crores per quarter, we can execute.

Deepak Poddar: Okay. Understood. Understood. And in terms of revenue, I think earlier we were of the view of INR5,500 crores kind of a revenue visibility this year, right? So that includes the FGD that the order that the execution to transfer from fourth quarter to first quarter or it excludes that?

Jami Satish: See, FY '23, we are on track. We did what we planned. FY '24, the order book is quite healthy, we should be able to convert 37% to 40% plus okay. So we see this quarterly progress improving each quarter the way what we did FY '23. So the order book is quite healthy. So there is high possibility and scope to improve quarter-on-quarter.

Deepak Poddar: I mean quarter-on-quarter, we should see improvement. That's what we are saying, right?

Jami Satish: Yes.

Deepak Poddar: Yes. Because I mean 37% to 40% of order book we are looking to execute. So that excludes the MDO order, right, excluding the MDO order?

Jami Satish: MDO orders, we are not including yes, you are right because FY '24, maybe a small amount to INR40 crores plus we should convert. And it should reflect in a bigger way from FY '25, '26 onwards.

Deepak Poddar: FY '25 is INR40 crores, INR50 crores, right? That...

Jami Satish: No, '24, if all goes well, FY '24 quarter 4, we are expecting close to INR40 crores plus.

Deepak Poddar: Okay. Understood. Fair enough, I understood. And a 37% to 40% is in the range of maybe about INR5,000 crores to INR5,500 crores, I mean that may be the range when may be working for FY '24? Yes, yes. Sir, I missed your point.

Jami Satish: No, yes, you're right. This is taking the backlog order book, excluding the MD order.

Deepak Poddar: So sir, that amount about INR5,000 crores to INR5,500 crores, right? I mean, in terms of 37 to 40.



- Jami Satish:** The number comes because that's the range because I can't be very specific, but there's a range is, what we should be able to achieve.
- Deepak Poddar:** Understood. Fair enough. And in two years, we were targeting about 13% EBITDA margin, right? So, are we kind of targeting the same thing as we speak now?
- Jami Satish:** See, in terms of margin profile, you would have seen like, last four quarters, there has been improvement in FY '23. And FY '24, of course, there will be some improvement on account of various reasons like, the project order mix, where we had the JV qualification borrowing and the royalty, we used to pay back. That pie is coming down. Number one.
- Number two is like, the new mix, okay, the new orders, we are not targeting anything 12.5 to 13%. So, this will also help in terms of improving the margin. Having said that, once this MDO stabilizes, which we are expecting FY '25, '26, okay, then you'll see that, that margin contribution will be in a larger extent from MDO. So, that will help to push the blended margins.
- Deepak Poddar:** Fair enough.
- Jami Satish:** Gradually, we'll see the number improving.
- Deepak Poddar:** I understood. So, once the MDO operation stabilizes, what's the steady state margin, we can see in MDO operation?
- Jami Satish:** See, MDO, we are expecting anything in the range of 18% plus
- Deepak Poddar:** 18% plus
- Jami Satish:** So, Yes, so that definitely should help us to improve the blended margins.
- Deepak Poddar:** Understood. Fair enough. Yes, that's quite helpful, sir. That's it from my side. All the very best. Thank you so much.
- Moderator:** Thank you. I'll take the next question from the line of Pratiksha Datkare from Aequitas Investments. Please go ahead.
- Pratiksha Daftare:** Thanks for the opportunity. Just wanted to know, what would be the top orders that will be executed during FY '24?
- Jami Satish:** Yes, so the top orders will include, of course, the FGD, the Water UP, then Yadadri in Telangana, Bhusawal, Maharashtra, then BMRCL, that's the Bangalore Metro, then Kazipet, that's again railway, Khurja, Udangudi, these are the top orders, which will contribute substantial amounts. Of course, Maitree, Bangladesh.
- Pratiksha Daftare:** Yes. Okay. And so, how do we look at margin profile for FY '24? Do we expect to see any improvement?
- Jami Satish:** There will be some marginal improvement, yes. We are seeing the pie increasing quarter upon quarter, on account of various reasons. Now we can expect some improvement in FY '24 too.



Pratiksha Daftare: Okay. And how about the working capital requirement? Since we are talking about execution of about INR5,000 crores, how can we look at the working capital and short-term borrowing for FY '24?

Jami Satish: If you see FY '23, in spite of large order book and improvement in execution plus 32% growth, we have kept the debt controlled, the reason being the net current days, mainly the retention money, receivable, other line assets, we have kept controlled, payables almost 75 days plus, and keeping the cash flow inflow to outflow, on a project level. So, we could able to bring down the net current days to 130 days, which is a great achievement. So we kept the target of 135, honestly. So we brought this down to 130, which is a great achievement. It used to be 200 days plus in FY '21 and 154 days for FY '22.

So that helped us to improve the operating cash flow and the free cash flow. So, we were able to control the finance cost and we were able to retain the debt level more or less intact. Of course, it has come down to INR30 crores to INR40 crores. So the thought process is now, the amount what we have got from AMTZ, Andhra Pradesh INR42 crores, plus we are going to get another INR20 crores. So it will throw INR60 crores of additional surplus cash flow to the system.

So that should help us to support the working capital going forward for 12 months. So, I don't see much, I don't see any increase in the debt, maybe the finance cost may remain more or less flat, or maybe a small increase of INR5 crores to INR6 crores. So, as an absolute number, it may be in the range of INR90 crores to INR95 crores. But as a percentage, you'll see a drastic percentage coming down the finance cost as a percentage, really it will come down significantly.

Pratiksha Daftare: Okay. And one last question, this year, contribution of O&M, the overall revenue was upwards of 25%. Do we think we can sustain this number going ahead as well?

Jami Satish: Madam, like see, the O&M now, it's the education range is close to INR930 crores to INR940 crores. This may go up to INR1,100 crores. So, there will be improvement in terms of absolute number. But, as a percentage of revenue, it may slightly come down because the mechanical pie will contribute this year significantly. And civil pie will also contribute in a significant way because water, railway is going up. If you see like, the water business used to be 4% or 5%, this year is 8% to 9%. But you'll see a FY '24, it will contribute in a significant way, it's almost like 25% plus. And railway will contribute close to 8% plus. So with the mix, undergoing changes, I see O&M as a percentage, there might be a slight fall, but in terms of absolute number, it will go up, madam.

Pratiksha Daftare: Okay. And just one last question, what I have understood was that, our total water orders from UP were about INR4,000 crores. Is that amount correct?

SK Ramaiah: Yes, it was originally, it was around INR2720 crores. What happened, after we gave the project reports, we have finalized it based on the actual scope of the work. That was the indicative tender value on which, it has been finalized. Then the further order will be agreed to be signed based on the detailed scope of the work and that has gone up to more than INR4,000 crores now.

Pratiksha Daftare: Okay. Now, how much of this is already executed?



- SK Ramaiah:** No, I told you about INR571 crores were executed.
- Pratiksha Daftare:** Out of INR4,000 crores, how much have we executed?
- SK Ramaiah:** INR571 crores.
- Jami Satish:** Close to INR600 crores, madam.
- Pratiksha Daftare:** Okay, close to INR600 crores, INR572 crores. Okay. All right.
- Jami Satish:** Yes, you are right.
- Pratiksha Daftare:** All right. Thank you.
- Moderator:** Thank you. We take next question from the line of Prasheel Gandhi from Nirmal Bang. Please go ahead.
- Prasheel Gandhi:** Sir, there is a question from my end. So, for FY '25, what type of ordering, are we targeting. Given that, we are targeting a INR100 billion for FY '24?
- Jami Satish:** FY '25, we kept the target of close to INR11,000 crores. The incremental amount, what we are targeting, the pie of international market slightly will go up because the team is got strengthened and there is a huge scope to increase the quantum. We could see that, some significant amount coming from the international market in FY '25. That is number one. And the FGD ordering will continue to be even FY '25 too, that will be following orders.
- The complete award will take 2.5 years. So, there will be some opportunity coming in FY '24-'25 too. On top of that, the material handling and the railway, metro, we see huge amount of opportunity. So, we have kept an incremental target of another INR1,000 crores plus. So, put together, this is INR11,000 crores that is the target.
- Prasheel Gandhi:** And what is the execution rate for FY '25?
- Jami Satish:** Sir, that range is 37% to 40% plus. That is the thumb rule, we can take to the opening order book. Of course, this percentage may not work FY '25-'26 because the MDO will kick start there. So, this is excluding the MDO pie plus the MDO maybe another INR180 crores to INR200 crores and it will be ramped up slowly. In overall period of three years to four years, that amount of MDO will go up to INR650 crores to INR700 crores, per annum.
- Prasheel Gandhi:** Okay. Thank you, sir. That was very helpful.
- Moderator:** Thank you, sir. Ladies and gentlemen, we have reached the end of the question and answer session. And I would like to hand the conference over to the management for closing comments. Over to you, sir.
- Jami Satish:** Good, sir. We have some more developments to come. I could not share the reason being like there are some restrictions from the customer side. So, maybe next month, we will come with some more developments and updates. So, in terms of the order book and the target, what we



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have kept is on track. The developments will update you in next month. Probably before the end of our first quarter call. Let us catch up once again. Thank you all.

Moderator:

Thank you very much, members of the management. Ladies and gentlemen, on behalf of Nirmal Bang Institutional Equities, that concludes this conference. Thank you for joining with us. You may now disconnect your lines.