



POWER MECH®

Date: 27.05.2022

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- FY 21-22

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 results of FY 21-22 held on Monday, the 23rd day of May, 2022 at 3.00 PM.

The transcript is uploaded on the Company's website at

<https://drive.google.com/file/d/1cOpRvcAcufw6c5kzIm38ea9s3FXJab7/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

POWER MECH PROJECTS LIMITED

AN ISO 9001, ISO 14001 & OHSAS 18001 CERTIFIED COMPANY

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**“Power Mech Projects Limited
Earnings Conference Call”
May 23, 2022**

Disclaimer: E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the Stock Exchange(s) on 23rd May, 2022 will prevail



ANALYST: MR. PRASHEEL GANDHI – NIRMAL BANG EQUITIES PRIVATE LIMITED

MANAGEMENT: MR. S. KODANDA RAMAIAH – DIRECTOR – BUSINESS DEVELOPMENT - POWER MECH PROJECTS LIMITED

MR. J. SATISH – CHIEF FINANCIAL OFFICER – POWER MECH PROJECTS LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the Power Mech Projects Limited earnings conference call hosted by Nirmal Bang Equities Private Limited. 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 ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prasheel Gandhi from Nirmal Bang Equities. Thank you and over to you Sir!

Prasheel Gandhi: Thank you Deeksha. Nirmal Bang Equities welcomes you to Q4 FY2022 results conference call for Power Mech Projects Limited. The management today here is represented by Mr. S. Kodandaramaiah - Director, Business Development and Mr. J. Satish - Chief Financial Officer. I now hand over the call to management for their opening remarks post which we can take questions from the participants. Over to you Sir!

J Satish: Thank you. This is Satish here. Good afternoon all and thank you for joining the earnings conference call for the quarter and 12 months ended 31 March 2022. I have with me Mr. S K Ramaiah – Director Business Development.

For Power Mech, the quarter and year ended with a very positive note. We have seen various developments across execution, collection and also on business development. Now Power Mech has got into a larger league, I think demonstrated our execution capabilities in all the segments. For Power Mech coming years will be consolidation and growth phase, last 10 years efforts for Power Mech in building credentials and competency started yielding results in all our business segments.

To update you with this quarter’s developments before we open up the floor for your questions and answer session, the reported total income for Q4 FY2022 is Rs.905 Crores and EBITDA is Rs.98 Crores and the reported PAT is 48 Crores whereas Q4 of last financial year, the total income was Rs.760 Crores and the reported EBITDA was Rs.79 Crores and the PAT was Rs.36 Crores.

The revenue mix for Q4 is as follows: erection business contributed around 152 Crores, civil business including railways and water business contributed around 516 Crores, operation, and maintenance around 217 Crores and electrical business close to 17 Crores and other income close to 3 Crores. In the same quarter in the previous year, the mechanical business contributed 166 Crores, civil around 329 Crores, O&M 223 Crores, electrical 36 Crores and other income close to 6 Crores. Similarly on year-to-date basis, the reported



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total income for 12 months FY2022 is Rs.2728 Crores, the EBITDA is Rs.303 Crores and reported PAT is Rs.139 Crores whereas in the similar period for the last financial year, the total income was Rs.1900 Crores, marking at 44% rise in the revenue, the reported EBITDA was Rs.58 Crores and the PAT was negative by Rs.46 Crores during the last year.

The revenue mix for 12 months is as follows: erection business has contributed 521 Crores, civil including railway and water has contributed close to 1290 Crores, operation and maintenance contributed close to 805 Crores and electrical business 93 Crores and other income includes 18 Crores and the same period during the last year, the mechanical business contributed 446 Crores, civil 687 Crores, O&M 661 Crores, electrical 86 Crores and other income was around 20 Crores.

The quarterly and yearly performance remained all-time high for Power Mech due to its robust order book, strong execution capabilities across the verticals. This is expected to improve more on account of stronger engineering skills, construction management and strengthening second level leadership, in addition to robust order book. Margins are expected to improve in mid-term to our reported peak level. We have seen additional cost on account of COVID protocol, royalty cost towards sharing the JV credentials in some of the new initiatives and also due to price increase in some of our raw materials consumed. The depreciation cost for the 12 months remained flat due to controlled Capex spending. During 12 months, finance cost remained flat as compared to previous year despite huge growth in business and execution.

Going forward the finance cost as a percentage and also as an absolute number is expected to come down further. The overall working capital cycle has seen improvement for the period significantly, the average monthly collection now ranging from Rs.250 Crores to Rs.300 Crores per month and which is expected to improve further shortly. The net current days excluding cash and cash equivalent has come down to 145 days during the year from 194 days during FY2021 and 180 days during FY2020, so we have seen significant improvement in our working capital cycle due to business mix. This has resulted generating surplus operating cash flow of 177 Crores and free cash flow of Rs.135 Crores during the year. This is a good achievement in Power Mech in recent past because of the working capital cycle improvement. The gross debt remained flat despite increase in the business and growth in the order book and the net debt has significantly come down to 319 Crores as compared to 379 Crores during last financial year.



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The order book for the company stands at 8855 Crores as on 31 March 2022 and this is excluding the MDO order and if we include the MDO contract, the order book stands at 18,149 Crores. Seeing the present market opportunity size, the company has set a fresh target of winning 6000 Crores for this year. We are very confident of converting close to 3600 Crores plus from order booking to revenue during this financial year.

Now, I request Mr. S K Ramaiah to add few more developments. Thank you very much.

S K Ramaiah:

Thank you Satish and thanks to Nirmal Bang for this call. I will update on what is happening on the business side order growth and the new opportunities. I think as Satish rightly said there has been a 27% increase in the total order backlog for the year from 7333 Crores to 8855 Crores and that is a very positive sign. This is strongly driven by the new investments as part of the National infrastructure pipeline and Gati Shakti and we all have seen that is bearing fruits now. With COVID behind us, hope so, things are normalized and that is how the opportunities are coming up in a big way and we have done extremely well in the civil and infrastructure and the EPC project business, the engineering projects, in fact the back log in this segment of 2584 Crores has gone up to 5842 Crores a positive of 63% in FY2022 and we have done exceedingly well with many new initiatives and that order backlog in O&M has gone up from 1158 Crores to 1244 Crores an increase of 17%, of course in the ETC segment, electrical segment we are not seeing much of growth as on today because of the opportunities diminishing in Power Sector and of course in the Electrical, it is more due to the lot of competition and pricing issues and we are waiting and watching and we want to complete the ongoing jobs. For total order booking compared to last year of 4638 Crores and this year it is 4231 Crores and if you look at the trend in the business we have come out of the stagnation period on what we had in between 2018 to 2020 and now we have crossed the 4000 Crores capability in achieving the order booking and as Satish rightly said, we are gearing to get orders of Rs 6000 Cr in 22-23 with lot of opportunities and that is a positive sign and in fact that will help us to build up a fairly good order backlog, with background of the margins availability and a wider customer base. In fact, in Q1 so far, two major projects we have taken about 297 Crores one is the coal handling plant is an engineering and construction job for 2x660 MW Khurja Project and Godda Boiler job, it was a job which could not be done by another agency and Adani Power have awarded the same based on our capabilities, and this boiler erection has already been started..

Now the domestic segment continues to play a major role and obviously looking at the opportunities as per NIP the Gati Shakti plans, where huge investments are coming up in all



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business segments, we have seen a positive growth on the domestic side. The backlog has gone up to 8212 Crores from 6357 Crores up 29% and in international segment, the backlog has come down now from 976 Crores. to 634 Crores, it has come down by 35% but in the power sector, where we had a dominant position owing to O&M and in coal segment and all the associate jobs in civil and O&M and installation, there is a downward trend there with backlog of 3940 Crores coming down to 3678 Crores, -6.6% but in non-power obviously the growth has picked up, what was 46% of the total business segment in the order backlog from 3393 Crores it has gone up to 5177 Crores of 52% . That is a very positive sign and we continue to look at those opportunities which are available.

Coming to the O&M story it has been an extremely good year with major orders backed at Singareni 2x600 megawatts of 343 Crores, Tuticorin 2x600 megawatts of Rs.391 Crores, ILFS at Tamil Nadu Rs.51 Crores and we have made a penetration into JSPL Angul with an O&M order of 56 Crores under material handling package and another positive aspect is that opportunities we are looking for the shutdowns, maintenance, capital overhauls. In this export sector about 80 Crores of orders have been taken in the Middle East mostly and that is where we are looking at new future opportunities. Non-power sector is also an initiative in O&M, earlier we had taken Tata Angul job and now JSPL Angul. Another positive step on O&M you see more PSUs are getting the O&M outsourcing done through a specialized agency, that way we have seen success in Singareni, and then KPCL and all these jobs substantially account for our O&M backlog .

The major orders which we have bagged in the current year were Adani Coal handling EPC at 80 Crores **for Talabira Coal mine project** then NTPC Kahalgaon, civil and structure job of 112 Crores of FGD work, NMDC civil works of 57 Cr, Adani Kodad Khamma Road project of 645 Crores and civil structural work of 345 Crores at Udangudi Tamil Nadu for the 2x660mw plant, then we have taken another North Chennai FGD job in civil and structural of 120 Crores and a railway job in Baroda for engineering, supply and erection of buildings structure 127 Crores then I told you about the Singareni O&M and the Tuticorin O&M jobs and the major breakthrough had been the huge investments coming in drinking water project as we know **which is part of 3.6 lac cr investments under implementation. We are already implementing drinking water projects for Meerut and Etah** and a new job has fructified **for Prayagraj and Fatehpur**, that is around Rs 1854 Crores.

This is how the orders have been taken in various segments and major jobs are progressing well. Udangudi job 345 Crores NMDC Civil Works, then the EPC jobs of



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around 500 Crores we have taken for first time where it gives a footprint on the engineering capabilities at Talabira, Kurmitar in Odisha and Khurja in UP to establish the credentials of the company, we have done about 20% work out of 200 Crores in Kurmitar. . The Buxar job is shaping well, 176 Crores 13% we have completed then Dolvi is under completion, **Dangote job in Nigeria** is under completion 90% of the work of has \$76 million, Maitree and Yadadri progress is on track . Maitree 855 Crores 65% completed, Yadadri 813 Crores 35% completed, Ramayampet canal work 373 Crores 85% completed and Sadalpur Railway electrification job, segment wise we have commissioned over 70% of work completed out of 350 Crores. Water projects we have just started last year about 128 Crores we have achieved, that is the good beginning. These are all the major ongoing projects and what we have done as far as development of MDO of Kotre Basantpur Coal mining work in Jharkhand which was taken last year, development progress is in full swing with acquisition of the land for the 5 million ton capacity mining operation from the Central Coal fields. where the consortium PMPL and AMR construction have established JV of 74: 26 as KBP Mining Private Limited and this is on track, the next process is to complete the various formalities involved in forest clearance, environmental clearance and then going for the ordering of equipment and infrastructure development work that is around 280 Crores. Once this is operationalized it can substantially add to the margins and the top line.

In fact one pretty thing which has happened on the growth on the revenue side is due to the augmentation of the manpower post COVID condition, what we had about 28000 manpower as on April 2021 has gone up by almost 15% to 32000 and with increase in the manpower requirements for the O&M there is increased business and also the construction business and installation, civil and various areas that is how in positive terms the manpower deployment is happening for continued growth..

As far as the opportunities are concerned at present, we are pursuing about 18000 Crores of opportunities in areas of the power sector, non-power sector, electrical, O&M and water business etc. One of the important development is about the implementation of drinking water projects, at Bulandshahr and Etah where on the total of 828 villages , completed the DPR Detailed Project Report of about 400 villages and this is valued at 660 Crores, the point is that the order value is given on specified item rate but on the activities of work is done, value can go up, so there is an increase of 50% in value of these drinking water projects where in we have done about 120 Crores and balance 498 villages survey and DPR preparation are under progress and we are working with our Hyderabad partner BRCCPL These contracts have 6 months schedule for DPR work and another 18 months for implementation and the percentage work involved with this is 50% for the pipeline work,



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35% with civil work, 15% is the electromechanical job and the total villages are 898. The new order what we have taken for Prayagraj, Fatehpur is about 1854 Cr and together today the company is sitting on a backlog of 2752 Crores of orders and 2752 number of villages and with DPRs updated and the order values would also be updated, the implementation will come into force and that is how we will get more opportunity. Another area is looking at the FGD opportunity in fact out of 1,69,000 megawatts of the installed based earmarked for the FGD conversion of Coal based plants in the country, ordering has been done, only for 40,000 megawatts mostly in the public sector, private sector is yet to start ordering in major way there are 448 plants, 149 plants in the central sector, 166 plants in state sector and private and IPP sector is about 133 plants and we are looking at some of the key opportunities which are available in the private sector and we are addressing with them and tying up with the technology partner and this can bring substantial business.

The main business thrust areas will be that we continue to focus on the national infrastructure pipeline opportunities which is also transforming in a smarter way, Gati Sakthi integrated management model to fast track this investment and that is where the substantial of our order book and investment coming and with new investments coming in mineral, coal and steel plants with our experience in the steel plant construction in JSPL, JSW and perhaps we can continue to foray into the new opportunities coming up with Arcelor Mittal group steel plant capacity expansion and also lot of investments coming in mineral processing and material handling, last year we have seen the success in taking two jobs from Adani group and more opportunities are expected, we are also bidding for many projects in that segment. The diversification into EPC has a good beginning where the company can acquire the engineering capabilities and that is where we can utilize our value addition services.. I think with this I would like to open up for questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take the first question from the line of Aditya Sen from Robo Capital.

Aditya Sen: Good afternoon, Sir, can you please come back on the order receipts expected this year and the execution on the same, I think you mentioned but I misheard that, I guess, so can you please repeat?

S K Ramaiah: Can you repeat again?



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Aditya Sen: I wanted to know the order receipts that we are expecting this year and the execution on same?

S K Ramaiah: I think the execution is on track as we have seen with sales of 2720 Crores and the initial order backlog 7333 at the beginning of the year 2021-22 and the addition of 4251 Crores we have achieved a sustainable growth in execution. Now the order backlog on today is 8855 Crores and the new opportunities as I said in two orders we have booked so far THDC coal handling plant along with addition of 192 Crores and Godda Boiler erection of 105 Crores, of total of Rs 297 Crores is there and as I mentioned, in this year our objective is to touch over 6000 Crores taking on the increased opportunities available in various segments and what we achieved last year we feel confident that we can achieve 3000 Crores in the first half and another 3000 Crores in the second half and the opportunities are in power sector 5000 Crores then electrical business over 450 Crores and then O&M the it is about 1400 Crores, water is around 1000+ Crores and the miscellaneous and then non-power jobs extra around another 6000 Crores and many opportunities are under tracking on the FGD, railways and material handling and O&M, perhaps the next two to three months lot of order flow is expected and our expectation is that by the end of the year the backlog will go up to 11000+ Crores with that the growth to be good in the coming two to three years.

Aditya Sen: Okay Sir, one more question, you mentioned that margins are expected to increase going forward, so what could be the possible reasons behind this and to what extent shall we expect the margins to increase?

J Satish: The margins we were operating for 12% to 13% and recent past like for various reasons it has come down and the major cost is like the royalty which we pay to JV partner for sharing the credentials that we have built credentials in-house now we can quote ourselves so that is going to be a significant amount, that will help us to improve the margins, number one. Number two, some impact of the material cost because of the price increase which is expected to normalize and the new fresh orders we have in built, so we will see that second half which will start improving, so in midterm we are expecting to come back to our normal peak reported margins.

Aditya Sen: Okay Sir, can we expect it will be around 13% going forward by FY2023?

J Satish: Yes, gradually it is expected to go up.

Aditya Sen: Okay sure. Thank you. That was my question, thanks a lot.



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Moderator: Thank you. We take the next question from the line of Pratiksha Daftari from Aequitas Investment Consultancy. Please go ahead.

Pratiksha Daftari: Good afternoon, Sir, just one question, our total order book how many contracts would be having fixed price remuneration and how many would have price escalation clause?

S K Ramaiah: Yes, all the water projects has got escalation, road project has got escalation and some of the other projects ,and also major O&M jobs we are taking on escalation may be 60% to 65% will be with escalation clause and balance are at fixed prices.

Pratiksha Daftari: Okay and these escalation clauses are linked to WPI, right?

S K Ramaiah: Yes, it is linked with variety of factors related to labor wages, then commodity prices steel price index, fuel prices , we are looking at all these cost elements and accordingly factoring in our new bids also.

Pratiksha Daftari: Okay and on our receivables, how much of our receivables will be from BHEL like in terms of base and how much would be the other segment?

J Satish: In terms of receivable days BHEL is still around 80 days to 90 days but overall, it has come down, so BHEL used to be 90-90 days plus but now there is an improvement of 10 days coming down, in terms of absolute numbers it will be close to 130 Crores to 140 Crores.

Pratiksha Daftari: Okay, BHEL 130 Crores to 140 Crores, right?

J Satish: Yes.

Pratiksha Daftari: Okay. Thank you.

Moderator: Thank you. We take the next question from the line of Abhishek Poddar from HDFC Mutual Funds. Please go ahead.

Abhishek Poddar: Thank you and congratulations on a good set of numbers, regarding this order expectation of 6000 Crores for this year, does this include FGD order expectation also and could you give some understanding that if you are bidding for private?

S K Ramaiah: Yes, we are discussing and is based on the tie-ups with the technology partners and at this stage what I can only say we are discussing with couple of leading Private IPPs, and in the



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next one month or two months then we will have more clarity but there can be substantial scope for the FGD orders in this year.

Abhishek Poddar: So, this expectation of 6000 Crores would include FGD or if FGD comes that will be plus for us?

S K Ramaiah: it will include FGD also.

J Satish: Yes, 6000 there are various developments going on, so to some extent we have taken some of the contracts apart from that if few more orders materialize probably that will be on top of this 6000 so we have kept two targets probably in a few days we will come with revised numbers, so this 6000 we have taken considering O&M, electrical, water and mechanical, domestic and international altogether, FGD pie a smaller component also we have taken but apart from that there are some other discussions going on, if that fructifies probably it will add on top of 6000.

Abhishek Poddar: Okay, understood and Sir this O&M would the operating margins be much higher than the other EPC business, if you could give us some sense how the O&M margins are and given the increasing mix of O&M, should you assume that that also will help you in operating margins in the next one year to two years?

J Satish: Yes, you have taken a right point, normally now the profit margins are ranging 17% to 18% in the O&M pie apart from that now what is missing is the international pie where we wanted to grow in the O&M space too but last two years been bit slow because of COVID and all, now since 4 to 5 months we have been extensively travelling in international market, now that will help us to push the O&M pie and now one development is Dangote, the Nigeria where we have been doing the mechanical work now that contract is getting over and the customer has shown interest to give the O&M contract, that single contract itself will be close to 250 Crores to 300 Crores, so this O&M pie may go up with the development of the international also apart from that some of the developments in the non-power too, we are working in petrochemical, steel and electrical side and of course in India the public sector also like Singareni, Karnataka government in the public sector they have started initiating discussions so we got two contracts that may also add to a larger extent, so overall it will help us to push the margins You are right.

Abhishek Poddar: Alright and O&M is let us say about 25%-30% of revenue, so any target there that where would be end of in the next two years?



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J Satish: See, next two and a half years, we wanted to actually honestly speaking we want it to double, so we are working in all the fronts, the backward integration international and domestic and all. This year we will conclude close to around 800 Crores may be next year we make touch close to 1000 Crores may be 2024-2025 this number should be double that is the plan.

S K Ramaiah: Satish, one more thing in this is all this O&M contracts are also renewable. See as we add more new opportunities in the basket, what happens is the old contracts will become part of the renewal with escalation also with about 1/3rd of the contracts can come for renewal every year and then the domestic balance in the non-power and all in the government sector and the private sector and then the international business of O&M because in Middle East there is an opportunity of 120 gigawatts of installed base and where we have many projects now and many new projects are under completion and that should help us to get the market access in O&M, that is how last year we taken about 80 Crores of mainly shutdown jobs but long-term jobs, we are trying. Nigeria where we have done \$76 million job we will complete in the next couple of months that is due for O&M after commissioning and that type of project gives opportunity and that will add us to the domestic O&M business where we are the leaders in Power Sector..

J Satish: Moving from a non-comprehensive to full-fledged comprehensive including the desk operations now we have built expertise, Singareni Collieries is the live example now that credentials will help us to reach to the existing customers and increase this scope to the some extent that will also help to improve the existing business from the existing orders.

S K Ramaiah: Yes, one more is the water business what has come in the drinking water, at the end of the project, there is a ten-year O&M contract, therefore all this drinking water projects once we complete it those projects will be eligible for O&M as part of the contract to be extended for ten years, so that also add to the profile of the O&M on what we are doing in power and non-power, this infrastructure drinking water projects can also become a significant O&M contributor say after two years.

Abhishek Poddar: Understood Sir and any update on this contract with Coal India, are we on timelines and when do you see now it is starting?

J Satish: This coal India MDO Kotre Basantpur mining project as per the original timeline we were expected to have the FC stage one forest clearance by November, but however the way it is moving, they are expecting to close by August itself, so that follows probably the



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environmental will follow by December, so the ground activity should start thereafter four months or five months, so we will start issuing the orders and start working on the equipments and infrastructure part, so this is as per the timeline we are ahead of three months now, it is going well.

- Abhishek Poddar:** Understood and Sir this is last question, capex for this year, how much are we expecting?
- J Satish:** We have kept a target of 55 Crores for this year.
- Abhishek Poddar:** This does not include any contribution for Coal India order?
- J Satish:** This year we will not spend anything except may be like all the clearances, plans and all hardly may a max of 7 Crores or 8 Crores, so we are talking overall of 55 Crores during this year.
- Abhishek Poddar:** Okay. Understood. Thank you and all the best.
- Moderator:** Thank you. We take the next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Thank you very much for the opportunity, I just wanted to understand firstly on this revenue I think 3600 Crores we are targeting, so any sort of revenue we are building for MDO as well in this year or it will start only from FY2024?
- J Satish:** FY2024 will start billing the revenue, so FY2023 is purely the existing cash contract, MDO will start adding from 2024.
- Deepak Poddar:** 2024, so basically 8900 Crores excluding MDO, so we have taken about 40% conversion, right?
- J Satish:** Yes, and we have kept a target of 6000 Crores this year, so we have taken a softer conversion, so substantial amount is expected to come from the existing order book itself.
- Deepak Poddar:** Correct and next year as we close it in 11000 Crores and even if we assume a similar 40% 4400 Crores and then 400 Crores of annual revenue from MDO, a 4800 Crores FY2024?
- J Satish:** Yes, the existing order book plus 40% plus the MDO will add close to 120 Crores to 150 Crores, so there after it will go gradually to 600 Crores.



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- Deepak Poddar:** Gradually to 600 Crores or 400 Crores, I think the MDO..?
- J Satish:** It is going up now because being price escalation and all the weightage of diesel is being given high 55%, so that Rs.886 per tonne which we quoted now it stands at Rs.1350 to Rs.1400, so the prices are substantially gone up, so that 400 may go up to 600 Crores.
- Deepak Poddar:** 400 Crores may go up to 600 Crores?
- J Satish:** Yes.
- Deepak Poddar:** Sir, ideally this mean the 5000 Crores annual rate may be two years down the line is quite achievable for us, right given the current scenario, may be it will start, and you will start at about 150 to 200 will gradually it will pick up, right?
- J Satish:** Yes, you are right.
- Deepak Poddar:** Understood, this is quite a fair understanding and on the margin front, now we are talking of 12%-13% FY2023, is that what we are looking at?
- J Satish:** The margin front, now we have got a mix of new and old order, old orders wherever we are giving royalty that will continue, so first half may be in line with what we are reporting now, so thereafter if we are seeing some sort of improvement gradually, so in midterm we are expecting the margins to come back to our peak reported margins.
- Deepak Poddar:** Which is 12% to 13%?
- J Satish:** Yes.
- Deepak Poddar:** But mid-term we are seeing 6 months to one year?
- J Satish:** No slightly longer, we will see post six months based upon the ramping up the water and all the new projects because now we are working in a situation where like the prices are all like abnormally gone up, so we have factored that cost and all but there is also a view that the prices may come down, so we will take a view post second half, so probably if this continues this year will be in the range of the reported may be Q3, Q4 we may see some improvement but surely 2024-2025 there will be significant improvement.
- Deepak Poddar:** I got it. All the very best. That is it all from my side. Thank you so much.



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Moderator: Thank you. We will take the next question from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: Thanks for the opportunity. I wanted to understand regarding the royalty, so whom are we paying this royalty to?

J Satish: We have borrowed the technical qualification from some of the companies, so we are paying as a royalty normally it ranges 2.5% to 4% that is a straight impact on EBITDA margin which we share to the other companies for sharing the JV.

Akshay Kothari: Okay and now that we have developed these what we can say technical knowhow in-house, so they will not be having any problem and nothing on the legal front, right?

J Satish: No, now we are directly eligible, so we have built enough credentials and now we can quote directly, so we did not borrow the credentials. So, this we have been working since seven years, there are some projects which started with 250 Crores to 300 Crores, now we can get up some projects like water, railway we can go even after 800 Crores to 1000 Crores in a single bid, so that is a credentials we have built in house

Akshay Kothari: Okay and could you explain more on an order execution cycle of top four to five projects, how does it go?

S K Ramaiah: I think in the drinking water projects DPR is completed, DPR takes about 6 months, with water projects about 2700 Crores and that also can go up based on the actual number of work involved because these are all item rates ultimately if prices increase value of work will also go up. Dangote major job is \$76 million and I said 90% is almost completed and Maitree 855 Crores 65% is completed, Yadadri 813 Crores 35% work is completed and then Sadulpur electrical job 350 Crores 70% is completed, then the drinking water we have done about 120 Crores .

Akshay Kothari: Okay, thanks a lot. That is it from my side and all the best.

Moderator: Thank you. We take the next question from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good afternoon and thanks for the opportunity. Sir, my question is on the part of capital expenditure required for the CCL and MDO and what is the kind of EBITDA margin is



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possible in this business and related question is that what is the opportunity in MDO you are targeting in medium term, is this the only project you want to do or are you willing to take more projects and if you can throw some of the opportunity which is available for FY2023?

S K Ramaiah: See, government has got a policy of liberalization in the mineral, metals and then coal of course the initial lot of opportunities from coal about 50,000 Crores that was on the execution side. We had bid for a few tenders but MDO for which opportunities are opening up in coal side and non-coal there also we have to look for some partnership, therefore it is on a selective basis going forward.

J Satish: Yes, just adding to Ramaiah Sir like we have taken a mid-size project where the investment is low by next two and a half years we need to develop the infrastructure full-fledged so once it is developed then will start generating revenue 152, will scale up to 650 Crores plus the escalation, so the strategy is like once this mine gets operationalized thereafter we will take a view, as of now we are not very serious to add anymore projects, we want to be very selective.

Mohit Kumar: What is the capex?

J Satish: Yes, the capex is this needs close to 364 Crores and we will go in a model of equity and debt so we may need to put 95 Crores of equity and it is a combination of we pumping around 74% and 26% our JV partner and the rest will go for the project specific term loan that is the plan and we quoted this project assuming IRR of almost like 22% plus and taking this new revised price the margins are significantly going up, let us see how the things are moving, so far very good development, margins are absolutely under control, so it is expected to go up further.

Mohit Kumar: Understood. Sir, can we expect a similar margin which we are in our EPC business?

J Satish: So, our EPC is slightly now the new projects wherever we are quoting, we are not quoting anything less than 14% to 14.5% because our tummy is full so we have given a clear cut instruction towards the business development to work only 14.5% plus minimum at the EBITDA level, this type of margins in EPC contracts maybe not practical, may be not possible now but e this is a specialized contract where we could able to crack and the price has gone up because of the escalation and all, but what will happen is at a consolidated level once the mine starts, our EBITDA margins will improve a lot because we are thinking that



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in mid-term we are trying to come back to a normal reported margins of 13% plus if it comes there is high probability that the blended EBITDA may go up.

Mohit Kumar: Understood Sir. What is the kind of execution run rate we expect in Uttar Pradesh Jal Jeevan mission project, are we expecting in FY2023-FY2024?

S K Ramaiah: I think today we have got DPR updated for 666 Crores and perhaps with this we shall be able to achieve more than 200 Crores.

Mohit Kumar: How much Sir?

S K Ramaiah: 200 Crores.

J Satish: We need to close in two years, at minimum level this year we need to cross 850 Crores to 900 Crores that minimum level we have kept, but there is a possibility that may also improve, so next two years we need to close it.

S K Ramaiah: More villages DPR has come up because other order what I said 1854 Crores order, that we are yet to start the DPR, DPR takes six months then only the implementation will come and update the ordering also on that.

Mohit Kumar: What is the kind of opportunities you are pursuing on the water side; you had an opportunity to bid more for projects like Jal Jeevan mission across the country?

S K Ramaiah: Yes, today our order booking around 2752 Crores in drinking water segment and we have started executing in two projects and we are gaining the expertise there and it is nothing extraordinary, it is not high end job, it is a matter of putting different groups in different villages and then controlling operations from a control set up and that facility for implementation is already there, that is where it is done and otherwise the macro deploy that we can easily get it done and as the investment we have seen the total investment is 0.6 lakh Crores in the current year with the present norm is every village, the average cost is one Crore per village but in reality it will go up by 50% because the items which are included for the village, number of the households and then how many places we have to provide the tap water connections. Therefore even this present order what we have taken the likely hood of going up by 50% is very much there and I told you about the O&M opportunity also **but** having taken major portion in this segment of 4 projects we will certainly do in the coming two years also but we do not want to spread too much..



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Mohit Kumar: Understood Sir and how do you see the O&M opportunities panning out in the next couple of years, do you think we will be able to start it something substantially in the domestic side, do you think the opportunities are very, very limited in the domestic market?

S K Ramaiah: I think that is very important question what you asked. O&M has got many segments of works I mean power sector where we have established our presence in around 68000mw and operating 40 plant and we are seeing the customers especially in the public sector, where the availability of more than 80,000 megawatts are there, has not much has been penetrated there because they are still doing the old method of operating with in house teams and ultimately they have to catch up with the tariff cost involved then slowly they will try to do this subcontracting of outsourcing the O&M also that opportunity will be available. NTPC we are doing about 100 Cr job in about five plants and we have taken Singareni that is 2x600 megawatt in a PSU . The other aspect is that the projects where we have completed in the Middle East is about 7000 megawatts of captive power plants and this can also open up opportunities in O&M and then the two types of opportunity will be there, one is the shutdown and breakdown maintenance I told you 80 Crores we have taken the orders that we have and that segment will grow and then the long-term O&M contracts like what we are doing on AMC basis in India, that we have to figure out more in the international segment also with the expertise what we have gained and lot of enquiries are coming. I told you about the drinking water, the projects what we will be completing at the end of the contract period O&M becomes part of the contract for ten years that will be another major opportunity and some of the EPC jobs where we are going to complete , perhaps O&M opportunity will be available with minerals and materials in coal handling, material handling and also in non-power sector. So, these are the opportunities that are there and that is where Satish has given you a figure perhaps this year we want to target about 1200 Crores and surely we will double up the segment and all this O&M jobs are repetitive jobs and for renewal and that is where we do not have to spend again our marketing time for the same job because we have already established there and customer does not want to exit man power and resources inducted by contractor and normally they try to extend the contracts. Opportunities can be many and we are quite hopeful on that.

Mohit Kumar: Do you think NCLT, we are stuck in in NCLT and they are restarting, the lenders are restarting the project with the help of NTPC, do they increase your basket of opportunities given that the if I am correctly there are couple of power plants import cold power plant which is supposed to start operations in Andhra Pradesh?



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- S K Ramaiah:** Sure, I think that is very important, all NCLT projects wherever have gone are on shutdown because of variety of issue, the government is now feeling the shortfall in the last two to three months and they are working with banks also to fund these projects as to see how it can be revived and are also looking at imports of the coal. This should also open up more opportunities for Coal and possibly gas based plants O&M of such power plants. .
- Mohit Kumar:** Understood Sir. Thanks and all the best. Thank you.
- Moderator:** Thank you. We take the next question from the line of Dikshit Doshi from Whitestone Financial. Please go ahead.
- Dikshit Doshi:** Thanks for the opportunity. Just couple of questions, first you mentioned about the royalty payment, so how much would be the royalty payment you must have paid in FY2022?
- J Satish** FY2022 could be around 1.5%, it used to be 2%-2.5%, and gradually it has come down because the pie is coming down.
- Dikshit Doshi:** Okay and my second question is regarding this MDO project, MDO from CCL, you mentioned that this 400 Crores annual topline could go to 600 Crores, so just a clarification, is it because the cost of doing the job has gone up or is it because the coal prices have gone up, I mean just wanted to understand that our revenue are linked with the volume or the prices of coal as well?
- J Satish:** No, see our price is not linked to the coal price but our price is linked to the cost per ton which CCL is going to pay, the contract says that we will be paid Rs.886 per ton and that Rs.886 there is an escalation clause that is subject to escalation and there is a formula of WIP where they have given weightage of 55% to diesel, so because of that this Rs.886 which CCL supposed to pay to Power Mech that stands at Rs.1400 today.
- Dikshit Doshi:** Okay, I understood. Thank you. That is it from my side.
- Moderator:** Thank you. As there are no further questions, I would now like to hand over the conference to the management for closing comments.
- J Satish:** Thank you everyone for joining the call and showing the confidence on Power Mech. If anyone has any more clarification, they can directly reach to the management at any time. Thank you very much.

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Moderator: Thank you. On behalf of Nirmal Bang Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.