



## “Power Mech Projects Limited Q2 FY2023 Earnings Conference Call”

November 15, 2022

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY2023 Earnings Conference Call of Power Mech Projects Limited 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:** Thanks Steven and good afternoon to all. Nirmal Bang Equities Private Limited welcomes you all to 2Q FY2023 earnings conference call for Power Mech Projects Limited. From the management team Mr. S. K. Ramaiah, Director, Business Development and Mr. J. Satish, Chief Financial Officer. I now hand over the call to the management for their opening remarks post which we can take Q&A. Thank you and over to you, Sir!

**J Satish:** Thank you. Good afternoon friends. This is Satish. I have with me Mr. S K Ramaiah – Director Business Development. We welcome you all to the earnings call quarter two and H1 FY2022-203. I will take few minutes to update on the financial performance for Q2 and first half 2023. The performance for Q2 and H1 FY2023 is line with our target and continues to be healthy. The overall target set for the year is on track and is more likely achievable. FGD ordering process and project mobilization already started. Revenue booking from FGD expected to start from Q4. The revenue from FGD if any will be in addition to our set overall target for this financial year.

The reported total income for Q2 FY2023 is Rs.774 Crores. This is all time execution for Power Mech in its journey during Q2 of any financial year. The EBITDA is Rs.90 Crores and the PAT is Rs.44 Crores whereas Q2 of previous financial year, the reported total income was Rs.554 Crores and the reported EBITDA was Rs.63 Crores and PAT was Rs.27 Crores. On year on year basis total income has shown a growth of almost 42% with the growth of the revenue the EBITDA has shown a growth of 43% and PAT has grown by 62%.

The revenue mix for Q2 FY2023 is as follows. Erection business has contributed Rs.161 Crores, civil business including railway, water projects etc contributed almost Rs.367 Crores, operations and maintenance contributed 226 Crores, electrical business.17 Crores and other income it is around 3 Crores. Whereas during Q2 of last financial year erection business contributed 106 Crores, civil around contributed around 223 Crores, operation and maintenance 188 Crores, electrical business 23 Crores and other income it was around 5 Crores.

Domestic business has contributed almost 87% and the rest 13% has come from the overseas business. The mix between power and non-power stands at 63% and 37%. We have seen growth across all the



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segment except electrical business where the company is conscious of its growth in electrical space because of so many reason. O&M business has grown by 21% and contributed almost 29% of the total business.

Similarly the total reported income for first half H1 FY2023 is Rs.1523 Crores EBITDA is around 175 Crores and PAT is 83 Crores whereas during last first half financial year 2022, the reported total income was 1172 Crores, EBITDA was 134 Crores and PAT was 59 Crores. On a year on year basis total income of H1 has grown by almost 30% and with the growth of revenue the EBITDA has grown by 31% and PAT has grown by 42%. The revenue mix for first half FY2023 is as follows, erection business contributed 313 Crores, civil business including railway, water projects is 743 Crores, O&M 422 Crores, electrical business 39 Crores and other income added 5 Crores.

Similarly during first half of last financial year erection business did around 243 Crores, civil business contributed 507 Crores, O&M contributed 361 Crores, electrical business contributed almost 51 Crores, and other income it was 11 Crores. During H1 of current financial year domestic business has contributed 85% and 15% has come for the overseas business. and the revenue from power is almost like 62% and non-power is almost 38%. Execution bandwidth has seen growing quarter on quarter basis with increase of in house resources, manpower strength, equipment base and robust order book.

The company is also expecting good amount of order booking and execution cycle to improve in the international market. Mr. Sajja Rohit is heading the international business along with him Mr. Srinivasa Rao who has joined had MD and CEO for the international operations who has joined from Shapoorji & Pallonji is a good hand to strengthen the international operations and the target is more on the operational maintenance business to supplement both on the domestic and international business. The company is well set to execute projects now in a range of Rs.750 Crores to 1250 Crores in a quarter and also expecting gradual improvement in quarter on quarter basis retaining its core competence in O&M and mechanical pie.

Coming to the other line items depreciation cost as a percentage to revenue remained lower side due to planned capex spending similarly finance cost as a percentage and also and absolute number remained controlled on account of improved working capital cycle and cash flow. Overall working capital cycle has been improving for the period due to the change in the customer mix. Net current days excluding cash and cash equivalent now it is ranging around 138 to 145 days during the period. This is expected to improve further.

This was around 153 days as on March 31 2022 and it was 205 days as on March 31 2021 so there has been significant improvement in the net working capital days and this is expected to improve further. Moreover, the operating cash flow for the period stands at Rs.62 Crores positive which is a positive development and the average monthly collection continued to be in the range of 260 Crores to 300



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Crores and this is expected to move slowly to 350 Crores per month collection and coming to the debt side the gross debt and net debt remained controlled despite growth in the business and the robust order book increase.

The gross debt stands at 481 Crores and the net debt is almost 292 Crores so it has come down as against 527 Crores to gross debt and net debt it was 320 so we have seen reduction in the debt. The order backlog for the company as on today stands at 24076 Crores this is including MDO order and the order back log excluding MDO it stands at 14782 Crores. Up to date during the current financial year the company added new order for Rs.7445 Crores and for the entire year the company has set a target of 10,000 Crores of new order additions.

As on today the allowance status order book is around 964 Crores which is close to 1000 Crores and we need to plan for new orders of 1600 Crores during next four months. We are more confident we will reach the target of 10,000 Crores operation this year. The company has set strong visibility for its three years growth because of this strong order book and quarterly run rate is quite healthy. Q4 of last year we did 950 Crores and this year the way it looks like the bandwidth is well set to achieve 750 to 1250 Crores so the resources are inbuilt so the present order book is placed at visibility for next three years. I now request Mr. S. K. Ramaiah Sir to add a few more market opportunities before we get into Q&A. Thank you.

**S. K. Ramaiah:**

Thanks Satish and thanks Nirmal Bang for this H2 call and that was for the fine input what we had given for the first half of the results of the company. Satish that was very nice of you and coming back to some of the other developments: The business growth and the marketing side and also various opportunities and how the company will be taking forward these opportunities. Let me give you a brief. I think on a broad basis the order back log which was at the end of last year 8855 Crores has gone up to 14,782 Crores a jump of nearly 67%. I think this is mainly driven by the huge order what we got from Adani for 6163 Crores of 8460 megawatt of FGD for 4 plants.

Now in the segment wise changes at the end of 22, in the mechanical and installation business was 1650 Crores because of this Adani FGD order share has gone up to 7796 Crores. On the Civil side the order backlog of 5842 is more or less the same and O&M side it was at 1244 Crores it is now around nearly 1000 Crores and electrical has slightly gone up from 118 Crores to 148 Crores and the business mix as Satish has said domestic is still predominant because of so many investments particularly in the government sector and to some extent in the private sector also.

That is almost 97% and the international business is 3% as per the balance total backlog is concerned out of 14,780 Crores for Q2. Now the power sector business to non-power sector, we have predominantly made the growth in the non-power sector due to shortfall, because in the last five years which was with power to non-power at 41.5% to 58.5%. Now the things have changed in favor of the



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power sector because of this FGD opportunity coming up. Now the power sector business is 63% and then the non-power is of 37% at 9487 Crores and 5295 Crores. Now these are the major figures as far as the order backlog.

Now the major orders what we have received in the first half are the Adani order as I told you 6164 Crores and then Khurja coal handling plant of 191 Crores then Godda, balance work which was awarded on risk purchase basis against another contractor of 105 Crores then FGD civil work in North Chennai about 119 Crores and PEB sheds in western region 113 Crores and then recently we have taken some tracks and towers in Vedanta and also Central Railway about nearly 41 Crores and bridge repair work from Adani in Telangana about 50 Crores and more importantly on the O&M side there were many jobs which were taken mainly on repair maintenance capital overhauls nearly 70 jobs in different plants and these are all quick turnaround orders that is around 166 Crores.

Going down the line what I can say is that the O&M side yes we are handling major projects and then we have seen the first half revenue has come to about 422 Crores and there are opportunities we are pursuing in Mundra, Tiroda for the renewals and then opportunities in Orissa 2 x 600 megawatt then Ghatampur 3 x 660 megawatt, then 1 x 800 megawatt North Chennai and also a couple of other projects and there focus in the Export market, as Satish has said Mr. Srinivasa who has come for supporting the export projects. The O&M side we are trying to give a lot of push in the Middle East that has seen some uptrend in terms of capital overhaul, maintenance jobs and AMC job is on the pipeline we have already mobilized for the Dangote refinery, nearly of 100 Crores and that work agreement will be signed shortly.

Then opportunity wise we are also looking at non power sector opportunities O&M apart from the power sector and various other sectors and the input which I have shared earlier also there is O&M component in the Adani order after completion of the job of additional 1021 Crores and the drinking water projects what we are handling as on today that also will have O&M component once they are completed. That comes to about 80 to 100 Crores. Now that is how we are going to further see how to consolidate the O&M business and then the status of major works are Udangudi 2 x 600 megawatt.

We have completed about 15% out of 345 Crores, Buxar boiler job 25% of around 176 Crores, Bhusawal we have completed almost 70% of the work that is 2 x 660 megawatt work, then Yadadri is going very well that is a large project in Telangana 813 Crores. We have done 60% then Dangote is under completion \$76 million, then Maitri in Bangladesh 2 x 660 megawatt that is also going on fast track basis, 855 Crores. We have completed 75% and then Ramayampet canal is about 90% and now drinking water is getting lot of fillip and then the progress is taken up now with mobilization and the procurement activity started and nearly 2000 villages DPR have been completed and now about 3% of the work has been completed and we hope to get a revenue of plus 100 Crores every month in the next



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couple of months and then further it can go up based on the DPR approval and further orders regularized.

Then the road projects at Hassan and Mizoram 780 Crores 35% work have been completed. Now Adani FGD 6163 Crores initial orders we have placed for the engineering and technological equipment and that should help us to focus on the engineering and then further ordering for the balance specification of civil, structural, mechanical and also many of the other brought out items and the other input which has come recently is that their latest order which has come is BMRCL metro project that is a shed construction for the maintenance depot in Bangalore that is about 427 Crores.

This we are doing in JV partnership with RITES and that work also is expected to taken up in this year and some revenue will come. Now what I can say is that the balance opportunities we are following yearly around 15,000 Crores in the current year which includes FGD packages in about 3000 megawatt for about 3500 Crores and then water projects around 2500 Crores in UP and other places and then railway maintenance jobs that is metro jobs, maintenance shed about 500 Crores and railway jobs in Nellore, Surat, and Kazipet about nearly 1000 Crores and about 6000 Crores of road projects are there.

Therefore the prediction what Satish has rightly mentioned about the future growth should be pretty strong. Now with the current backlog of 14,781 Crores and the L1 position about 960 Crores I think we are pretty well placed to reach the target of nearly 10,000 Crores and with the projected turnover of 3600 Crores perhaps the end of the year back log will stand at 15,000 Crores. I think that should give a good jumpstart for the revenue growth for the next year and the opportunities which will come up in the future also and perhaps the focus will be on the FGD jobs, the infrastructure jobs, railway work, metro projects because there is lot of growth in the metro projects and then the maintenance job will come up in the FGD side also and the investment which is coming further in the drinking water scheme almost 50% has been provided and then lot of opportunity is coming up in drinking water also.

We are pursuing many projects and then railway terminals and then in material handling package. It can be many number of opportunities in fact, the national infrastructure pipeline has been a great booster for the investments and organization like Power Mech and many other similar organization have been greatly benefited by this investment coming up and this should continue to flow in the next couple of years also and that is what I can state. We should be able to maintain a sustained growth maybe next year we should be targeting around 8000 Crores on a conservative basis and that should be the trend in the future also. Thanks all of you and we can follow up with questions and answers.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Riya from Aequitas Investments. Please go ahead.



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**Riya:** Hello thank you for giving me the opportunity. Since our concentration on civil in the order book is increasing what kind of margin profile do we look for the coming quarters.

**J. Satish:** Now we have seen some improvement in margin profile, so more or less this year we are seeing this number to be continued for Q3 and Q4. There could be small marginal improvement. This is a trend we are expecting going forward in a short run.

**Riya:** What kind of working capital are we looking for H2 since our execution would be higher?

**J. Satish:** See the receivable days now is ranging almost 75 to 80 days. There could be some improvement. In terms of the holistic if you take the overall working capital cycle now it is working around 143 to 145 days. This cycle we are expecting to continue and there could be some improvement maybe 135 to 138 days that is the net current days that is what we are expecting and the existing order book most of the projects we have already mobilized normally we need two months working capital to mobilize the project. Most of the projects we have already mobilized and for this FGD Adani projects which we have got recently so we have got provisions for advance which is interest free 10% so we will see this project is self-sustained cash flow model so going forward it is expected to come down, the net current days maybe in the range of 130 or 135 days during the end of this year.

**Riya:** From the executions since we have a good order book right now so what kind of execution can we reach up to, is there any capacity constraints in terms of number of people or anything like that.

**S. K. Ramaiah:** Actually we are adequately staffed. In fact as on today we are having nearly 30,000 total in house in the O&M also we are having substantial deployment of nearly about 11,000 people and then the direct labor and the indirect labor, direct and HR and indirect also is adequately staffed. As far as staffing and redeployment of the manpower is concerned or incremental orders what we are getting we have seen it. I think now Adani is going to be major order and then this BMRCL job we have to take it up and then other O&M jobs already ongoing job as well and these we will substantially able to fill up in the resources and then supervision side and the equipment side and I give the status of the work. Many of the jobs is under later stage of 50, 60, 70, 80% completion and that is how these projects get redeployed with many projects under completion and we can redeploy substantial from the existing sites and plants, and we do not anticipate any major problem in deploying all this resources and we will able to execute that.

**Riya:** Okay so we have adequate resources in place. All set for good numbers going ahead. Thank you.

**Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.



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- Deepak Poddar:** Thank you very much for the opportunity Sir and very good set of numbers. I just wanted to understand first on the execution front. Now we were talking about FY2023 and 15,000 Crores is the order backlog we are targeting right and generally in a particular year we generally execute 38% to 40% of our starting order book so ideally if I go by that calculation we are looking at 5600 to 5700 kind of execution FY2024 so is that something that we are also kind of looking at in terms of execution level next year.
- S. K. Ramaiah:** Now what I can say is that there is a mix of orders and there are short duration contracts, long duration contracts then there are different type of schedules for different contracts and that 40% norm can be there and what we can say is that from 2720 Crores we are going to achieve nearly 3600 Crores and that is because many of this jobs what we are going to do has got some material content particularly Adani job is there and then this BMRCL job will be there some of the other segment jobs also. Therefore what we can safely say is that with the schedules committed to customers and the resources available we should be able to exceed at least 5000 Crores in the next year .
- Deepak Poddar:** With 15% what.
- S. K. Ramaiah:** 5000 Crores revenue. We can exceed 5000 Crores of revenue next year.
- Deepak Poddar:** Okay understood and Sir I mean if you see our order backlog I mean we have seen a tremendous jump in our order backlog. Like if you see our FY2020 order backlog was 4500 Crores right and today we are at about 24,000 Crores obviously it includes the MDO which is 25 years contract so how do we see that opportunity over the next three years if I have to talk in terms of order book backlog do you see more such MDO contracts coming into play for us, so some understanding if you can provide how do you see next three years in terms of the order book. Like this 24,000 can it go to 15,000 Crores.
- S. K. Ramaiah:** I think that is a very interesting question. You see the MDO type of jobs. There is lot of necessity in the country. For example in Coal India they are going to scale up their production to 1500 million tonnes by 2030 and from the present 770 million tonnes. Many of the mines material handling Plants are needed They are not mechanized fully and MDO are not there and as on today they have only done 100 million MDO operations and Coal India is in the process of awarding another 160 million tonne that only is about 25% to 30% of the entire MDO requirement and now coal mining also it is getting privatized. Lot of other private players has entered and MDO is going to be an important operation. The present MDO what we are going to do is it will take effect from 2024 end and 2025 beginning. We anticipate at least with another two to three jobs we can target it and that is also concerned by the fact that we are handling many similar jobs in terms of EPC, and construction contract in Kurmitar, Talabira and Khurja and we are acquiring lot of expertise in these jobs and by that time we will be able to now start the working on MDO in Kotre Basantpur and further jobs will be well placed.





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- Deepak Poddar:** So we do anticipate another two to three MDO kind of...
- S. K. Ramaiah:** I think that is a very optimistic side. At least one or two we will definitely take it because that will give a recurrent revenue generation for the next 25 to 35 years. I think I expect Satish also to add some more points on this.
- J. Satish:** Deepak see this year 10,000 Crores so will leave a good number of opening order book for next year. The order book target for the cash contract for next year maybe in the range of 8000 Crores because that will again leave a healthy order book for FY2024 and thereafter the MDO Kotre Basantpur project will start. Now the thought process is like FY2023, 2025 we have kept a target of 8000 Crores and 2025 a number of 9000 Crores so by 2025-2026 we will see that this MDO also gets materialised and we see the activity start and the revenue booking start. Because this project it has been almost three years we have put effort to get a decent size project after considering all the risk factors so if all goes well, we may look one project based on the progress of KBP but not immediate because the order book is quite full but given a chance if we get at effective price we may add one more project.
- Deepak Poddar:** But what you said we are looking at order inflow about 8000 Crores for next year FY2024.
- J. Satish:** FY2024 we are targeting order booking of 8000 Crores and 2025 maybe in the range of 9000 Crores.
- Deepak Poddar:** Similar to what we are targeting order inflow this year right.
- J. Satish:** This year is slightly higher because of Adani but maybe next year we may not need 10,000. If i take even 36 to 38% conversion which is slightly higher side and by the time the pie may touch to 1400 to 1500 Crores so if you see next three years, so we have got a very clear cut visibility and the backlog order book was 8000 Crores and thereafter 9000 Crores that will leave very good order book to execute so I think FY2026 we need to take a call how to consolidate and where to grow and where not to grow.
- S. K. Ramaiah:** You see this NIP which is going with 111 lakh Crores of investment we are seeing the benefits for the company for another four years minimum and there is lot of investment going to come up in the private sector in the steel segment nearly \$158 billion and associated jobs and then there is going to be residual investment in the power sector to fill up the gaps as per the CEA report another 8434 megawatt is under planning apart from the ongoing 25,000 megawatt of implementation and then the infrastructure side and the railways investment of nearly 10 to 13 lakhs is under implementation .overall and every year nearly 1.5 lakh investment that also continues to be there in the next 7 to 8 years and in fact now the FGD investment commissioning has been postponed to 2026 therefore that will come up and also the new projects wherever FGD those jobs will also come up. Now in the drinking water, infrastructure, roads, railways and other segments what we have done the



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diversification the last couple of years we will sustain that with better margins because of the expertise gained and moreover the international market because of the variety of reasons there was slowdown in investment particularly in the middle east that investment is going to pick up and there will be huge investment and west Africa we have found out a good opportunity where we have started working in Nigeria and Sierra Leone is there and then Ghana many places are there and then Mozambique. Now Africa is going to be a good investment destination because of lot of growth actually therefore export market, O&M market, domestic infrastructure business and then FGD residual work balance is there. The balance ordering of 80,000 megawatts and drinking water also new schemes will come up in surface drinking water that also we are going to participate therefore there is no shortage of opportunity at least three to four years and as I said private investment is going to come in a big way. It has to follow the government investment in the steel sector, infrastructure sector, mineral, metals and petrochemicals and various areas and all these areas we establish our presence and that would give us lot of way.

**J. Satish:**

And this extension of this FGD okay this will again open up opportunity for next two years. We can target some more projects and on top of that the thermal we thought like there could be slow down but the way it looks like there is a strong visibility for next five years so this will also throw up some good opportunity for us.

**Deepak Poddar:**

That is quite interesting. I think we had mentioned in the past that due to our legacy orders we are finding it difficult to improve upon our EBITDA margin. Now assuming that by fourth quarter all the legacy orders will get executed so any thought process of what sort of margin uptick one can see in FY2024 at a higher execution level and we are through with our legacy order book as well.

**J. Satish:**

There is high probability that the margin profile should improve which we are witnessing even Q2 okay there should be gradual improvement but having said that the FGD which is a large contract that we are expecting 10 to 11% excluding FGD we are seeing some growth in the margin profile one is with the quantum jump, second is yes some of the projects where we are losing the royalty for PQs and all, now that we are quoting ourselves that will also help to some extent to improve the margin profile, so maybe 2024 first half we will see how the conversion of FGD is happening. The execution we have to see in what extent we are converting and all so that will decide the blended margin but we are sure that there will be some improvement in margin profile but the extent and all we have to see maybe six to eight months how the FGD is getting converted.

**Deepak Poddar:**

And that will happen in first half of FY2024 right.

**J. Satish:**

No we are expecting that to happen in Q4. FGD the billing is expected Q4 of this year and if it all there is slippage see we have kept a target of 3600 Crores for this year plus some conversion happening from the FGD if that does not happen then it will spill over to Q1 of next year so next two



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quarters maybe Q4 or maybe Q1 of next year will have more clarity in terms of the conversion from FGD.

**Deepak Poddar:** 400 we are talking about right. That is quite helpful Sir and thank you so much for your time and all the very best.

**Moderator:** The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

**Dixit Doshi:** Yes thanks for the opportunity. Actually most of my questions have been answered just one question from when the MDO project will start recognizing revenue.

**J. Satish:** Q4 FY204, Q4 we are expecting 40 to 60 Crores of revenue booking taking the rate of Rs.886 per tonne but now the rate has substantially gone up because of the escalation so that may go up to 70 or 80 Crores.

**Dixit Doshi:** Per quarter.

**J. Satish:** 2025 it may go up to 250 Crores and 2026 we are expecting close to 450 Crores.

**Dixit Doshi:** And margins in this segment will be higher right.

**J. Satish:** Yes Sir there is some investment and some capex so we quoted at a price of almost like 20% plus at EBITDA level because there is some depreciation element also but with the revised price the margin profile will again improve. The price which we quoted at Rs.886 today it stands at almost like Rs.1300 to Rs.1400 plus so there is high probability that the margin profile may further improve. We will see how it is turning up.

**Dixit Doshi:** And how much we are going to invest in this capex.

**J. Satish:** It is 360 Crores over two and half years and it will be combination of term loan and equity at SPV level.

**Dixit Doshi:** Okay thank you. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.



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**Abhishek Poddar:** Thanks for taking my question Sir and congratulations on a good quarter. Sir regarding this order outlook of 8000 Crores for FY2024 and 9000 Crores for 2025 so if you look at this year we had a very large order of 7000 Crores coming from Adani, if we take that out from 10,000 Crores then the rest of the order is about 3000 Crores so I am trying to understand this bridge between 8000 and 3000, 5000 additional number next year. Any large orders you are looking at Sir.

**S. K. Ramaiah:** I think Adani was an exception but what I can say is that see if you look at the opportunities what we follow every year, we follow between 25,000 to 40,000 Crores that is the type of BD development various groups undertake in all the segments and the 8000 Crores the confidence is coming from the sustained balance ordering to be done in the FGD nearly 80,000 megawatt is there. We will try to focus on couple of those maybe 3000 to 4000 megawatt. Then water projects are also there that is drinking water project and surface drinking water project. See for example metro we entered in a big way that is a major breakthrough what had happened and everywhere metro expansion is going on. I think it will go up to double up the number of locations and the mileage involved and also the maintenance shops and all and there we are already bidding for couple of projects in Bangalore and other cities also, therefore this is a mix of traditional business in the new units whatever is going to come up maybe on the thermal side. We are trying to enhance the profile in O&M in the non-power sector also and then in the international business also and then in the infrastructure side there is a combination of road projects, railway projects, drinking water projects and then metro projects now the basket has gone up and then electrical we are cautiously seeing where we can do but we have not left anything but recently we have taken a job of nearly 80 Crores also. We have established a benchmark of 10,000 Crores. We are going to establish and with more opportunities perhaps we will be looking at opportunities of nearly 40,000 Crores to 50,000 Crores in the next year so that extent we will be focusing, 20% to 25%.

**J. Satish:** Just to summarize the operation and maintenance O&M both domestic and international with the orders which are going to be renewed that put together itself is coming close to 1000 to 1100 Crores plus some of the FGD follow up orders where we are negotiating that may get spill over Q1 of next year because multiple enquires are coming negotiation is going on that itself is anticipated to be close to two or three projects maybe 1500 to 1700 Crores. On top of that last two years we have been little slow in international mechanical space because of COVID now the team is quite active. Mr. Rohit and Srinivasulu they are traveling to see if we can revise the opportunities. Multiple opportunities are there in mechanical space in international itself close to 500 to 600 Crores of opportunities we have already indentified. On top of that the metro and railway we are already in discussion with multiple players we are expecting the way we did this year for Bangalore metro we are expecting to add one more project next year that will come close to 600 Crores. On top of that water and STP we had good amount of additions maybe next year we may add 750 to 800 maybe two projects and our regular mechanical



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power related it is expected close to 800 to 900 Crores so the opportunities are quite large. Okay 8000 Crores seems to be 100% achievable.

**Abhishek Poddar:** Understood Sir. Next year you are guiding for revenue of 5000 Crores or in excess of that so if we push little forward and look at 2025 and given the order backlog will again increase in 2024 as well, could we look at six and half to 7000 Crores of revenue in 2025 and are we ready for it.

**J. Satish:** It is quite possible Sir, the reason being FGD itself we need to add almost 2000 Crores that we are well set now. The quantum is large but it is spread in five projects because of the supply component. Okay it looks to be larger quantum. The single contract itself we need to execute both the supply and erection and the civil put together will add 2000 Crores. Yes it is quite possible. We have to do that.

**Abhishek Poddar:** Understood and Sir on the margin side if you can little bit help us understand because you stated that O&M will double from here how does that benefit the margin and this 11% EBITDA margin that we reported in 1H how should we see that in 2024-2025.

**J. Satish:** Let us understand the margin how it works for Power Mech see O&M as we all know this gives higher margin compared to the mechanical, civil and electrical pie. Now the experience has been in erection we used to work at 13. 13.5% but last 2,3 years it has come down to 11, 11.5 because the size has come down. Civil of course we were losing 2-3% to buy the PQs. Last 3 to 4 years we have spent almost sent 2.5 to 3% which was a straight impact to our EBITDA margin but now we are able to bid for directly okay Power Mech is self-sustained to bid for projects so that can be saved but having said that railway, water and some of the civil projects the competition intensity is bit high. Okay working 11 or 11.5% is I could say a bit of challenge. Now on top of that FGD we are expecting in the range of 10 to 11% that is possible for Power Mech had it been for some other players maybe slightly low because we have our in house equipment, manpower resources and all. Now with the improvement of business and top line there is high probability that margin profile should move forward to 11.5 to maybe 12.5% gradually but what we are trying to say now FGD will play a significant pie in our revenue profile. If it works at 10 or 10.5 or 11 then the branded will again look to be 11.8 or 12% so what we are trying to say is maybe next 6 months this trend of existing margins may slightly go up and once the FGD starts we need to see how much of margins we are able to convert so maybe next 6 to 8 months we will have more clarity to what extent margin profile can be ramped up, but we are sure that the existing profile should improve gradually.

**Abhishek Poddar:** Sir the concern on FGD that you are stating so the commodity prices have kind of softened in last two to three quarters instead of taking the order so there should be tailwind only from the company side at least in the FGD.



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- S. K. Ramaiah:** See what we have done in the pricing side and we have got certain projections from Adani group for this job. One is that power megawatt cost is nearly 73 lakh. In fact if you look at the pre COVID level another thing it is going to 40 to 50 lakh per megawatt. There is a quantum jump in the per megawatt cost that has already being cushioned for the material and the second aspect is that most of the contracts on the supply side is done back to back. In terms of whatever the ability is based on the order space and the terms negotiated on back to back with the suppliers that is on the supply chain. Therefore in that way we are definitely covering up many of the risk impact through the suppliers also and the other aspect is that as Satish has rightly said we have got in house capability for doing 25% of the work that should also help us. This is how we are structuring the FGD and we do not anticipate any major variations for this. Already the steel prices have reached below the peak levels what we had substantially and perhaps with the tie ups what we have made with the vendor that protection should be there.
- Abhishek Poddar:** Understood Sir. Sir just one more last question regarding the Andhra project there was 50 Crores struck any status update on that and when do you expect to recover this money.
- J. Satish:** Now the good part is now it has all been set. They have put in the budget and the challenge is they are constraint of the cash flow. Since few months we were struggling that how it gets approved in the cabinet and the put in the budget that part is completed now they need to release the payment and this is not expected to happen in one single bullet payment maybe every month will flow some amount. If all goes well December we should expect at least 8 to 10 Crores and it would take at least 6 months to release the entire amount.
- Abhishek Poddar:** This will also help reducing the working capital days to 135 days you are talking about that is also getting a contract.
- J. Satish:** No Sir I have not taken that part because this is one line item in spite of our much efforts the time line we do not have much control. If this comes it will help to some extent to improve further but I am talking about excluding the Andhra part.
- Abhishek Poddar:** Understood Sir. Okay all the best. Thank you.
- Moderator:** The next question is from the line of Sheen George from Geojit Financial Services. Please go ahead.
- Sheen George:** Good evening Sir. So my question is like for the FGD order from Adani how is the revenue forecast for recovering quarters.
- S. K. Ramaiah:** You see the total contract is structured between 18 to 30 months. We individually start the kick of dates for various projects. Now we have started with one or two projects then other projects has to



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follow based on the advances what we have drawn. Now we know in a way the first one or two quarters the revenue will be low can be less because engineering work has to be done, ordering has to be done that is what Satish was telling perhaps the revenue will start coming from the end of this year but next year we should be able to have substantial conversion on that 6163 Crores and next two years perhaps that should be the way we will be able to complete this major work.

**Sheen George:** Okay so for Q4 it is 400 Crores if I am right.

**S. K. Ramaiah:** Now the two plants we have taken up work. The other plants we have to take up because we have not drawn the advance and then the engineering pick up has not started. The zero dates have not started and that is expected to start shortly but once we start it these two projects will be in the focus therefore in this year in the end of quarter we do not want to give any figures on that because there are various aspects we have to cover up in engineering and ordering and then documents we have to prepare for four to six months the revenue can be low and some revenue we expect in the last quarter.

**Sheen George:** Okay so approximate how much would be the amount beyond that.

**S. K. Ramaiah:** It can be maybe around 200 to 300 Crores.

**J. Satish:** It may slightly go up but it depends Sir because we are expecting the conversion to happen in Q4 but if at all there is a spill then it will go to Q1 of next year.

**Sheen George:** Okay understood and how about this Bangalore metro order, the recent order.

**S. K. Ramaiah:** Bangalore metro order we already got it. Now we have to sign an agreement by November 25<sup>th</sup>. The initial kick of meeting has taken place for 427 Crores but revenue generation on that we have not factored just now but some conversion should happen in the fourth quarter.

**J. Satish:** It is 490 Crores size of the contract and our share is 427 Crores and the mobilization part already started. We will start billing revenue booking from January, February March we could see them coming.

**Sheen George:** So that is it Sir. Thank you.

**Moderator:** Ladies and gentlemen as there are no further questions, I now hand the conference over to the management for their closing remarks.

**S. K. Ramaiah:** I thank everybody, and we are in a very interesting time and lots of expectations are also there and we have got many things to do. The challenge of execution but there are lot of opportunities and the



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company is well geared up for the execution model and we have demonstrated in many cases wherever peak earlier initial achievements have to be done we have done in the previous year's also and with the resources available and the opportunities available I am sure that the next 2 to 3 years will be quite bullish for our organization both in the growth in terms of order book and then conversion of the orders also and improvement in the margin and I wish these things will go forward. Thank you very much.

**Moderator:**

Thank you. Ladies and gentlemen on behalf of Nirmal Bang Equities that concludes this conference. We thank you all for joining us and you may now disconnect your lines. Thank you.