



POWER MECH®

Date: 20.11.2023

To
The Corporate Relations Department,
BSE Limited,
P.J.Towers, Dalal Street,
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 Q2 FY 2023-24

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 Q2 Results of FY 2023-24 held on Wednesday, the 15th day of November, 2023 at 3:00 PM (1ST).

The transcript is also uploaded on the Company's website at www.powermechprojects.com

This is for your information and for dissemination to the general public at large.

**Sincerely,
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

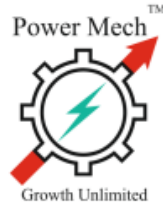
Regd. & Corporate Office :
Plot No. 77, Jubilee Enclave, Opp. Hitex,
Madhapur, Hyderabad-500081
Telangana, India
CIN : L74140TG1999PLC032156

Phone : 040-30444444
Fax : 040-30444400
E-mail : info@powermech.net
Website : www.powermechprojects.com



M4570910IN





“Power Mech Projects Limited
Q2 FY2024 Earnings Conference Call”
November 15, 2023

Disclaimer: E&OE: This transcript is edited for factual error(s). In case of discrepancy, the audio recording uploaded on the Stock Exchange(s) on 15.11.2023 will prevail.



ANALYST: MR. PRASHEEL GANDHI – NIRMAL BANG EQUITIES

**MANAGEMENT: MR. S.K. RAMAIAH – DIRECTOR BUSINESS DEVELOPMENT – POWER MECH PROJECTS LIMITED
MR. JAMI SATISH – CHIEF FINANCIAL OFFICER – POWER MECH PROJECTS LIMITED
MR. CH KOTAIAH – GM FINANCE - POWER MECH PROJECTS LIMITED**



Power Mech Projects Limited
November 15, 2023

Moderator: Ladies and gentlemen, good day and welcome to Power Mech Projects Limited Q2 FY2024 Earnings Conference Call hosted by Nirmal Bang Institutional 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 now recorded. I now hand the conference over to Mr. Prasheel Gandhi from Nirmal Bang Equities for the opening remarks.

Prasheel Gandhi: Thank you Rohit, and good afternoon to all participants. Nirmal Bang Institutional Equities welcomes you all to 2Q FY2024 Earnings Conference Call for Power Mech Projects Limited. From the management team, today we have S.K. Ramaiah sir, Director Business Development, and Mr. Jami Satish sir, CFO. I now hand over the call to management for opening remarks, post which we can take Q&A from the participants. Thank you and over to you, sir.

Jami Satish: Thank you Prasheel. Hi all, this is Satish. Good afternoon and best wishes to all. Hope you all had good Diwali. I have with me Mr. S.K. Ramaiah, Director, Business Development and CH Kotaiah, GM Finance.

Power Mech had one more great quarter with good set of numbers and execution. There is no change in overall plan set for Power Mech. Execution and ongoing business plan is in line with our projections and internal set targets. We are happy to see more and more opportunities coming in our core sector, power projects. A combination of new and old plants getting revived. Moreover, we are also too excited to see plenty of opportunities coming in the operation and maintenance both in the domestic as well as international market. This year we will see a large order book addition coming from O&M space from various projects in pipeline which are in advanced stage and orders from O&M during the year going to be all time high in the journey of 24 years.

For Power Mech, we are seeing quarterly execution bandwidth going up quarter-on-quarter. Going forward, we will see the numbers going up significantly. In any financial year of Power Mech execution during quarter three and quarter four contributes substantially higher as compared to quarter one and quarter two. Therefore, we will see quarterly execution cycle improving significantly for the rest of the quarters of financial year FY2024.



Power Mech Projects Limited
November 15, 2023

Coming to quarter two and H1 numbers. The reported total income for quarter two FY2024 is Rs.937 Crores and the EBITDA is 118 Crores and PAT is Rs.51 Crores. During quarter two of last financial year, the reported total income was 774 Crores and EBITDA was 89.5 Crores and PAT was 44 Crores. So on a quarter-to-quarter basis Power Mech has demonstrated almost like 21% growth on the top line and with the growth of top line EBITDA has gone up almost by 32% and PAT has gone by 17%.

The revenue mix for quarter two FY2024 is as follows: Mechanical business has contributed 148 Crores, Civil business including Railway, Water distribution 496 Crores, O&M 272 Crores and electrical business close to 17 Crores and others close to 5 Crores. Whereas during the last year FY2023 quarter 2, the contribution for erection business was 161 Crores, civil 367 Crores and O&M was 226 Crores and electrical 17 Crores and others was 3 Crores. O&M and civil has shown a growth of almost like 20% and 30% respectively. Erection more or less remained flat, but however, this number again will go up significantly going forward. Electrical consciously we are not bidding for new projects. Therefore it is more or less flat. Coming to the H1 of FY2024 the total income was close to 1808 Crores and the EBITDA is 223 Crores and PAT is almost 102 Crores. Whereas last year H1 the total income was 1523 Crores, EBITDA was 175 Crores and PAT was 83 Crores. There is a growth of almost like 19% for H1 as compared to last year and with the growth of the top line EBITDA has significantly gone up by almost 27% and PAT has gone up by almost 23%.

Similarly, O&M and Civil Business has gone up by 17% and 33% respectively. Mechanical there was a dip of 8%, but however it will continue to grow quarter three, quarter four and electrical business it is coming down because not much order booking is happening on the electrical business. This year we will see significant contribution coming from the water business because the order book is quite healthy. O&M continues to be the backbone of the company, contributing almost like 27% to 28% and during the end it will continue more or less the same percentage.

FY2024 because of the healthy order book water business will continue to contribute close to 20%-25% of the total business and O&M will continue to be 25% plus, and the mechanical will continue both domestic and international will contribute both almost like 18% plus and railways again picking up with adding up the metro. This year it is expected to be almost like 4% and we will see that FY2025-FY2026 there will be significant change in the business mix because of healthy order book, the contribution is going to be almost like 18%-20% in next one and a half years and erection business is expected to go up



Power Mech Projects Limited
November 15, 2023

almost 25% to 26% and railways expected to go up to 7% and MDO this year will start with a small number and this is expected to go up significantly next two years, FY2025 it is expected to be almost like 8% and FY2026 going to be almost like 16%. So there will be significant change in the business mix because of the increase in the O&M pie and the MDO business.

Improvement is also seen in overall margin profile and same is further expected to improve gradually, and on reaching MDO to peak during FY26, the margin profile will improve to a greater extent. Depreciation cost as a percentage, remained lower side on account of control CapEx spending, and the finance cost keeping aside interest on tax impact as a percentage to revenue remained lower side and continue to be controlled on account of improved working capital and cash flow.

As you all know with respect to search operations conducted by the Income Tax department under section 132 of the Income Tax Act 1961 during July 2022, based on the deliberations with the assessing officer and as a prudent measure and to avoid any further protracted litigations, the company has made provision of 16 Crores for the assessment year 2018 and 2019. The company has made all the required information available to the department so far. With better deployment of capital, improvement in margins, we have also seen improvement in ROCE and this is expected to again go up significantly.

As stated in our earlier calls too, the overall execution bandwidth is seen increasing quarter-on-quarter on account of various initiatives and strong increase in in-house resources. The company is well set to execute projects now in the range of 1200 Crores to 1800 Crores per quarter. Other developments include the operating cash flow for the period is almost positive by 70 Crores and the system generated free cash flow of almost 50 Crores plus during this period, which is quite healthy. We are working on the same to improve further. Also, the average monthly collection of the company continued to be healthy.

More importantly, the net current days excluding cash and cash equivalent has substantially improved on account of improved working capital cycle, change in business mix and change in customer concentration. Net current days have come down to in the range of 130 to 135 days, and on stabilization of the MDO business from FY2025 and 2026 onwards, we can expect significant improvement in net working capital days and this can help the system generate larger operating and free cash flow. We can see quantum jump in free cash flow. More importantly the gross debt and net debt remained controlled despite growth in the business and the order book. As on 30th September 2023, the gross debt is close to 450



Power Mech Projects Limited
November 15, 2023

Crores and the net debt stands at 226 Crores. But if we see as on today we can proudly say that Power Mech is a net debt free company, and the debt equity ratio as on 30th September stands at 0.3, which has significantly come down because of the improvement in the cash flow but if you see, net debt today is nil because the net debt is almost zero.

Coming to the two MDO projects, lot of developments and ground activities are happening in both the projects. The first project, Kotre Basantpur, Stage-I Forest Clearance from the government we got in November, environmental clearance also we have got it. Now the project is ready to start now because EC and FC were the major milestones which we achieved now, and we have applied for the consent to establish. This is expected to be in next one month. Therefore, we can start the ground activity from this year itself. Coming to the second project, establishment of mining activities already completed by October, and more importantly, the heavy equipment which are very important to start the excavation, We have started the procurement and transporting the equipment and these equipments are expected to reach this site maybe next one week to 10 days, and the core drilling activities already started during the 3rd of November, and the EP consultant M/s Vardan EnviroNet we have finalized for the washery. Apart from that the electrical connection for 1.45 MVA allotment along with the demand note received for JVDNL during October. R&R Colony fencing works already started. Apart from that, the mining area of fencing work already started, so we are expecting next one week the Bhoomi Pooja. Therefore we can start the excavation work during end of this month itself therefore which would see the revenue picking up from this financial year itself.

Coming to the order book, Order backlog as on 30th September is around 53100 Crores with both the MDO and excluding the MDOs the backlog is almost 13400 Crores. Similarly, the order book backlog as of today is around 53500 Crores with both the MDOs and excluding the MDO, it stands at 13750 Crores. For the entire year, FY2023-2024, the company has set a target of 10000 Crores and we keep the target as it is. We are confident of reaching this number including the orders which we have received up to date 1800 Crores plus the projects which are in pipeline, and in L1 status close to 1800 Crores. We have identified opportunity size of around 46000 Crores plus. We are also expecting good amount of order booking and education cycle at international market too.

During FY 2024 large order increase expected from the power sector both in the O&M, mechanical and civil construction. As we stated earlier, the focus will continue to be going forward consolidation and leveraging the growth and the focus will continue on industrial plant, operation and maintenance, railway and metro, water, to some extent roads, and



Power Mech Projects Limited
November 15, 2023

MDO projects. The execution cycle during FY 2024-2025 and 2026 is going to be robust and healthy on account of improved order backlog and targeted projects in pipeline and more importantly increasing bandwidth in the execution cycle per month and per quarter.

As projected, margin profile seems improving and expected to improve further gradually, year-on-year. Our plan to build business model to have a recurring long-term service model income to the tune of 3000 to 3500 Crores plus in combination of O&M plus MDO for sustainable long-term growth from FY2026 is possible. This model will help us in a bigger way to improve margin profile, working capital cycle and in a large extent improve the free cash flow.

Power Mech is well set to demonstrate execution and conversion in the range of 34% to 35% of its opening order book in a year. In addition to that revenue from MDO business also ramping up coke coal production plant. Going forward, O&M and MDO business will drive substantial growth in a significant way, and we have some more development from the business side, I will request Mr. Ramaiah to add please.

S.K. Ramaiah:

Thanks everybody. Good afternoon to everybody. Thanks Satish for the remarks and the various numbers of Q2 and H1. As Satish has said, the outlook continues to be bright because the trigger for that is the massive investments the government sector spending in all the areas, energy sector, infrastructure, and then the drinking water schemes, water systems and railways and the metros. I think that is what is going to happen & the company is going to balance with this business and of course O&M there is lot of revival as per the numbers are there what Satish has spelt out. The segment wise the numbers are there. In mechanical portion. The present backlog is about 7052 Crores compared to 6878 Crores at the beginning of the year, the civil component of the work is 6074 Crores against 6736 Crores. The O&M is 353 Crores versus 600 Crores. Of course we have to add certain numbers which will come up now. Then electrical it is 255 Crores against 118 Crores and then MDO is a major component of our business with about 39732 Crores the backlog with both the MDOs. That should take us to a very healthy backlog in the near-term two to three years and long-term, say 25 years for the MDOs of two projects .

Now when we look at the opportunities, what we can see is that there seems to be substantial revival of the power sector market. This is mainly driven by the apprehension of the load mismatch, which may happen in the couple of years between the coal side power generation and the non-coal side that is the renewable power, if they present renewable capacity is about 125000 megawatts and with the total installed base of 416000 megawatts



Power Mech Projects Limited
November 15, 2023

as on March 23. There is going to be further augmentation of the renewable power as the years go by and that is why government has taken some remedial actions in terms of fast tracking the investments in the new projects and the present indications are that, apart from the NTPC which is planned which has already ordered Lara 2x800mw for BHEL Earlier 1320mw Talchar project was awarded to BHEL, and other projects are going to be in pipelines like Sipat, Daripalli, Singrauli,, The generation companies, along with Adani power they are having a plan of about 13700 megawatts which can have plans of Coal India for 2400mw. That is going to substantially come up, recently government has approved the Yamuna Nagar project also and looking at these projects, the expected capacity addition which will come up with the next couple of years should be about 20000 megawatts including the NTPC share of plans of 6100mw. These are all the new projects , and then there is a revival of the projects about the first revival of the projects of 5270 megawatts has already been in the pipe line for revival and at many of the projects and we have already taken some initiative in taking the orders there with Vedanta & JSPL.

Now government has asked recently a new policy initiative from the Power Ministry saying that another 6550 megawatts of stuck projects, that also has to be revived and it has informed that the State Government undertaking also to participate in this bid so that it is revived. Therefore the revival of nearly 11820 plus megawatts including the earlier group of plants of 5270mw coupled with the new initiative for revival of 6550mw apart from the new addition of 22000 megawatts of NTPC and various Gencos, that should give a very good outlook for the power sector growth and in terms of our business which is quite aligned with that in terms of the installation work, erection testing, commissioning and O&M jobs and all. Therefore, that is one aspect on the new units and also the revival of the old units of about 11820 megawatts.

The O&M opportunities has triggered substantially recently we have seen that two major jobs we have taken at Hindustan Zinc Limited therefore comprehensive O&M about 229 Crores O&M contracts. It was a very important breakthrough in the mining and metal sector, we have taken it and then Raichur 2x600 of 163 Crores and then Adani at Mundra we have taken about 100 Crores of jobs for various O&M packages. Now the opportunities which we are tracking in terms of many projects which are coming up with Khurja 2x660 megawatts, Ghatampur 3x660 megawatt, North Chennai possibly 1x800-megawatt, and then Buxar 2x660mw of course as the commissioning comes near to that then there is a major project in Balco with Vedanta group that also we are having a look at it. Therefore, all these opportunities, the ballpark figure of opportunities in terms of the BTG, installation plus the civil and CHP, which is our core strength, because coal handling also material



Power Mech Projects Limited
November 15, 2023

handling is one of our core strength, we establish it. It comes to about 12000 Crores of opportunities with these new projects coming up and then the revival of the old projects also, we can add up to another 4000 to 5000 Crores. In all it can be anywhere reached between 17500 to 20000 Crores of opportunities both with the addition of the new capacities and also the revival of the old projects where are half completed jobs are to be taken up and there can be fast track execution in these projects and the Power Mech is preferred bidder for that you have seen in the case of Vedanta group and recently we have bagged one more major order with BHEL for the Talcher of 354 Crores the main part equipment associated work and civil works also. Therefore with that type of initiative, this will continue to play in the coming months and coming quarters also.

Now coming to the other water related projects, we have substantially identified a huge opportunity particularly in the Madhya Pradesh, Maharashtra, then in Karnataka, Tamil Nadu, then Madhya Pradesh also I said. Therefore with all these projects, the total opportunity is about 18000 Crores and the Madhya Pradesh itself is planning about 9000 Crores in various schemes of drinking water, urban water schemes, urban water requirement schemes for various towns and cities, sewage treatment plants, etc., and with our fast track execution expertise, what we are developing in UP for the drinking water schemes perhaps we are well qualified for many of these jobs and then wherever is required we can have a tie up with the other parties also like micro irrigation, lift irrigation, and those type of schemes also are coming in a big way and that should help us.

The various segments of these water systems or the sewage treatment plant. Urban renewal schemes and the Amrit scheme, lift irrigation schemes, canal works and then of course the most important is Jal Jeevan Mission which is a flagship initiative of the Government of India. It is heartening to know that almost 70% of the rural villages are well connected now and we are doing pretty well in what we are doing at drinking water schemes in UP for four major areas. Nearly about 2750 Crores, and almost about 35% of the work we have completed. Of course that gives us a lot of reference based and expertise because the type of organization is what we established there are distributed organizational systems that means down the line at grass root level distribution organization system, village level, the area level, and then the block level, the district level and the zone level. Therefore it is well structured organization, 4000 people are working and already about 100 villages we have completed the 100% water supply schemes and then water is flowing into those villages and the people are seeing the benefits and what is more important is the organization what we established about 4000 people with engineers, supervisors, field and all the working staff, subcontracting staff, & that should give us a strong base in undertaking many of the



Power Mech Projects Limited
November 15, 2023

important water projects, drinking water projects etc., also. Then one more thing, important thing which has come recently is that as we summed up these contracts agreements with the Jal Jeevan Mission scheme with the UP government finally the numbers are out in terms of the operation and maintenance scope of the work. Earlier it was only a general guideline mentioned in the LOI, but now the formula of the figures in terms of operation maintenance because as we complete the execution of these projects, it is estimated 3% of the capital cost will come for the O&M over ten years with escalation provision and the present estimation is that the numbers have been given by the UP government for about 681 Crores and this is considering our order book so far and that will get cleared for implementation based on the completion of works in various villages. In another three to six months we can start opening up that O&M front as more villages come on the front line.

Now this is on the drinking water and water systems and then of course in the railway & metro works, we have seen the experience what we are gaining in Bangalore Challaghatta 427 Crores maintenance shop work and then we are doing about 14 railway & Metro projects of about 1500 Crores, including that BMRCL job and, and recently we have taken some jobs from the railways at Raebareli we have taken a infrastructure facility for the Vande Bharat infrastructure facility and Mumbai also, we have taken the some foot over bridge jobs also. Therefore, these opportunities will keep coming and the railways and then metro together, offers huge opportunities in terms of railway infrastructure in maintenance repairs, workshops, repair shops and then this revamping of the stations etc. The important aspect is that now the organization is in place to execute these jobs. I think that is one of the features of Power Mech. We have always continued to build up the organization capacity, wherever we are diversifying, and we want to sustain those type of organizations for long-term growth. Wherever there are viable projects in the road sector also we will do it for example the Telangana job what we have taken from Adani the EPC job we almost completed 70% that is a very fast paced project implementation. what we can say we have achieved and then other two projects also we have done nearly about 60% of the job in Mizoram and then Karnataka also. This background of these road projects the railway projects would give us good background and then the new initiative is going to come up in export market in West Africa and Nigeria, Tanzania and other places apart from the Middle East and there are some new projects are expected to come out of 4000 to 5000 megawatts in the Middle East, Saudi Arabia then UAE and all and already we have got organization there about as on today 1600 people are working in the Middle East and then West Africa. For that organization setup also which continue to help us to see that the new jobs we can take it and implement it also. Therefore, as Satish has rightly said, there is a substantial opportunity in the market as part of the national infrastructure pipeline, which is in the



Power Mech Projects Limited
November 15, 2023

fourth year of its implementation, of 111 lakh Crores, and many of the organizations who can catch up with this initiative, and we have been greatly benefited by these investments from the government side and then private sector investments also will come up in the steel sector, then mining sector, and then coal side and then Coal India is coming with first mile connectivity around 50 projects with investment of 20000 Crores. Therefore, there are plenty of opportunities we have to select the right technology, right partnership wherever is required for the association where we do not have that in some of the new areas and then the implementation mechanism has to be stabilized with the learning what we have achieved. One of the features I can mention is that why our margins can improve further is the learning curve we are undergoing it and without much addition in the capacity for the manpower and also the equipment base what we are having. If you see the turnover is continuously growing up year after year, and that is a good feature for our operation and with that better margins can be driven down the line and then with more opportunities coming perhaps will also get better margins in the market. So this is what I have to say. Now we can go further for the questions and answers.

- Jami Satish:** Prasheel thanks for giving the opportunity. We can move forward to the Q&A.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pratiksha Daftari from Aequitas Investments. Please go ahead.
- Pratiksha Dasftari:** Thank you for the opportunity. My first question is related to the tax provision that you mentioned. If you could just repeat the number, what is the provision that we have taken because of the search?
- Jami Satish:** We have provided for almost 16 Crores. This is including some of the interest component on this tax. So put together is 16 Crores we have provided.
- Pratiksha Daftari:** And this is full provision right, we would not anticipate any further provision going ahead.
- Jami Satish:** See what they have done is they have completed for some of the assessment years. So we do not expect some bigger amount to come. May be next two quarters will see that 100% this issue gets resolved. Therefore, the provision may remain more or less slightly lesser than what we have provided for. However, having said that, we have got almost like refund of 40-45 Crores plus. So in terms of cash flow there is no impact, but however it will have some impact in terms of the provision part.



Power Mech Projects Limited
November 15, 2023

Pratiksha Daftari: In terms of O&M we have almost done 500 Crores of revenue in the first half. Just wanted to know what is the target that we have for this year, what kind of growth are we anticipating as compared to FY2023 for O&M.

Jami Satish: O&M this year probably will be touching close to 1150 to 1180 Crores that is the target probably this will continue to remain almost like 25% to 25.5% of our total business this year.

Pratiksha Daftari: And, what would be the monthly collection run rate right now?

Jami Satish: This is picking up. It is almost like it is ranging now 350 to 400 Crores and see normally like quarter one and quarter two, historically it is like 35%, 35% plus of our total business. But however quarter three, quarter four there will be a significant quantum jump. So we are expecting this number to pick up from probably quarter three December onwards and I am seeing that this number should cross 400-450 Crores gradually.

Pratiksha Dasftari: We had about 3000 Crores plus orders from water segment. So just wanted to know what is the execution guidance in terms of FY2024 for water projects?

Jami Satish: For water project, see water this will play significant pie this year because the order book is significant. Maybe if all goes well, FY2024 we are expecting close to 900 Crores. That is the number at lower side and it may go up to 1000-1050 at the higher side.

Pratiksha Daftari: Our interest cost for this quarter has gone up significantly. Is this because of bank guarantees or something because our net numbers have not grown.

Jami Satish: Honestly speaking the finance cost remained controlled as stated like there is some impact of interest cost on account of IT. So the provision of fixed income also includes some portion of the interest. So because of that there is an increase of almost 3.5 to 4 Crores otherwise if you exclude that the finance cost remains flat. It is not a recurring item, almost like a one time. So water maybe will close this year, so that there is no ambiguity carried on this fund. So probably you will see that this number coming down because if you see the net debt as of today is almost like debt free, I do not see this number to shoot up.

Pratiksha Daftari: Thank you so much.



Power Mech Projects Limited
November 15, 2023

Moderator: Thank you. The next question is from the line of Arun Subramanian from Ampersand. Please go ahead.

Arun Subramanian: Sir, my question is that what kind of order inflow that you are targeting non-MDO in this current financial year.

Jami Satish: We have kept a target of almost like 10000 Crores. So we are not changing that target. So we did close to 1800 Crores of addition up to date. On top of that the projects which are L1, it is almost like 1800 Crores plus and we are expecting good amount of additions coming from the power plant both in the O&M, civil, and also the mechanical pie. This put together, we are expecting close to 4500 Crores. Therefore, we will have a combination of orders coming from a power plant. Both the old and new plants and O&M this year we may cross 2500 to 3000 Crores of addition and on top of that we are also targeting close to 1500 Crores of projects relating to water. Apart from that if all goes well railway and metro we may add close to 800 to 850 Crores and other civil and international put together we are planning 10000 Crores.

Arun Subramanian: What has been the reason for the first half order inflow being a little slow and what will really change going forward?

Jami Satish: The first half like, see we were working more towards this domestic side mostly on the power sector and some of the railway apart from the road projects. Of course, so O&M it has been almost like finalized stage, but however in terms of awarding it took slightly longer time. Apart from that some of the state selection code and all. Some spillover may be there during December and all. So more importantly what is important that the negotiation part, it is almost done now, we could see that conversion happening next 30-35 days. So maybe December and January next year we will see huge number coming in and apart from that road projects we have seen the tenders getting postponed a couple of times. Of course this is close to 800 to 950 Crores, that is what we were expecting and in Chennai, there was a bit of slow in terms of discussions and negotiation. Now that part we have already completed. Apart from this the Vedanta, it took slightly longer time, but of course the order conversion started happening. Apart from that, we are also talking of some of the O&M projects which Vedanta and BHEL also probably we will see that normally historically if you see like the conversion for first, historically less, but second half is more even in terms of execution of the order inflow outcome.



Power Mech Projects Limited
November 15, 2023

S.K. Ramaiah:

Now I think what Satish says is correct. See, what is happening also of course for these elections in states are in progress. Most of these centers are out that is where our confidence comes from the point that there are identified projects are there, then drinking water, power side, railways and then roads also and then internationals also there. Therefore, the opportunity size is substantial as the enquiries are coming. There is no drop of the enquiry. The question of selecting the right combination of these projects and its execution and our fitting there and then seeing that we select the correct projects and all for proper execution. Perhaps the first half because the rainy season and then many of the clearance has some issues they may take more time to firm up all those new projects and in case of drinking water and water system what has happened is this is the last phase of ordering perhaps they have to do before the last quarter and maybe also therefore they are now trying to complete that exercise that is where there are about 18000 to 20000 Crores of opportunities and the new power projects as Lara 1600mw has been awarded. Now it will come up. Talcher project has already BHEL have taken action in awarding the first package for the main plant erection works. Now the revival of the projects, what has happened in Athena, we have seen the benefits of that and more of opportunities will be there in that also and the second phase of the revival of the old projects another 56500 megawatt also it happens also more opportunities will come. Maybe a little bit of adjustment is there in time lag , but overall opportunity wise, there is no reduction in the domestic market particularly we are very bullish on that in all these segments and all and the railways in fact if you look at the track record of 14 projects what we are doing and the metro projects what we have taken. There are also a lot of huge opportunities in the third and fourth quarters, & once it happens actually we will be able to close many new order by third and fourth quarter.

Arun Subramanian:

Sir, just want to know that of the order backlog that you have, would you like to call out any slow moving projects which are like getting little delayed compared to what you had thought of including the one which you had received, the big one that you had received last year? Is there any slow moving project and is that going to be improving sometime soon?

Jami Satish:

No, there are no projects which are old or suspended it is all are ongoing projects. The plan is intact, of course there is some schedule changes in terms of the ordering and all, but there is no change in the overall plan.

Arun Subramanian:

Understood. Thanks a lot Sir.

Moderator:

Thank you, Sir. The next question is from the line of Prasheel Ghandi from Nirmal Bang Institutional Equities. Please go ahead.



Power Mech Projects Limited
November 15, 2023

Prasheel Gandhi: Hi Sir. Thank you for the opportunity. A couple of questions from my end. First would you update us on the status of the FGD order and the potential revenue booking that will take place over next few quarters?

S.K. Ramaiah: Yes, the initial firming up are regarding the layout and engineering finalization which is taking time. With the engineering orders are placed and then there is a going to be tracking on Udupi project for of 2x600 megawatt we are taking action on that, and that should be around 936 Crores that will take shape now on a priority basis and then others also should follow. For FGD if you look per se what is happening is that the major portion is that for contract implementation some constraint are there in getting the system into the limited space and the technology selection and fitting up there and as on today if you see about 10000 megawatts are in the capacity addition on the FGD has been done side out of 169000 megawatt identified but ordering has been done about 105000 There is a general amount of lag is there initially because of the finalization of engineering, layout issues ,and of course the another side also there can be some issues related to getting the tariff properly fixed with DISCOMs and State Electricity entities . That is where the government is also giving the leeway during implementation, but they are very firm on that. Now for all the projects the latest update is that government has set the deadline of up to 2027 that is the the entire country's requirement. Now the usual contracts and schedule should be there barring the issues related to engineering fitups and then the layout issues finalize and all the access availability and all those issues are taking some time.

Jami Satish: Probably in terms of revenue like FY 2024 maybe quarter three, quarter four. Quarter three we may expect a 50 to 100 Crores maybe quarter four it may go up to 250 to 300 Crores and FY 2025 it maybe in the range of 1000 to 1200 Crores or it may go up slightly by another 200-250 Crores. This is the plan what we have got now. We will have more updates probably quarter three will take end of the quarter three or maybe beginning of quarter four we will see the scheduling part and it is something can be improved in FY2025.

Prasheel Gandhi: Secondly on your margins, you are saying your margins jumped significantly about 19 bps on a Y-o-Y basis so can we expect this as what would be the reason for the same and second would we expect the further margin improvement. So what do you see to get a sustainable margin up, would we assume 13% or a 14% kind of margin.

Jami Satish: See we had the first plan is to see that the old project mix comes down therefore our cost towards the royalty which is impacting straightly to our EBITDA margins that should come down and that is happening so there is a natural mix change because of PQs in house



Power Mech Projects Limited
November 15, 2023

directly. So to some extent and to a larger extent that is helping us to push the margins. So the first plan is to get back to our normal historical margins which we used to report at 13%, 13.5% and that is quite possible FY 2025-2026 and with MDO getting stabilized by FY2026, we could see that the number may go up to 13.5% plus by 2026 onwards. So the first one is to bring back our normal margins to 13%-13.5% by FY2026. So we will see that every quarter there will be some gradual improvement in the margin profile and on top of that we have given a clear cut instruction to our business development not to quote for any projects below threshold margin limits. Therefore we are not rushing for projects for low margin just to build the order book, so that is also helping a great extent to add the quality orders and see that margin profile is maintained.

Prasheel Gandhi: Just a follow up. So what is the current mix of your old projects, so how much of the order book will still have that old projects with higher royalty payments and when do we expect this to complete?

Jami Satish: This will settle down by FY2025. So we could say another 25% to 35% in that range.

Prasheel Gandhi: Sure, Sir. Thank you very much I have few more questions, but I will get back in the queue.

Moderator: Thank you. The next question is from the line of Amit Vora. Please go ahead.

Amit Vora: Good afternoon gentlemen. Thanks for taking my question. Congrats on a very good set of numbers. Excuse me if I am asking this again. The only thing is that you had mentioned that for completing the MDO project, there might be requirement for you to raise some debt as well other than the equity that you have raised. So is there a plan to further raise any debt or no?

Jami Satish: Yes, the first project Kotre Basantpur KBP, which is a smaller size, we have already tied up Power Finance Corporate PFC 260 Crores, which is a project specific and the servicing will be done from the SPV. So that tie up is already done and for the second project, we need to set up the infrastructure. On top of that, we need to also build a washery plus coalhandling plant which is larger in size. So that is expected to be almost like 790 Crores plus. So we have raised the equities, so we have sufficient equity. Having said that we have lined up some debt part from our existing banks should we use or not we will take a call because the internal system itself throwing some surplus cash flow. Therefore, we wanted to use or not we will take a gradual call. Of course the PFC part will use, but the second part, Tasra



Power Mech Projects Limited
November 15, 2023

Washery we will take a call gradually. We will take it if at all needed, but not at least for next 16 months. There will not be any increase of debt in the Tasra project.

Amit Vora: That is great to know. Just one question, now we are almost one and a half months in Q3, so what is your estimation on the Adani project, you did mention, but I am just saying that because we are already there almost one and a half months in Q3. What is the status there, is there any possibility that what kind of revenue booking can happen there?

Jami Satish: See, Adani as I stated like quarter three may be in the range 50 to 150 Crores that is the maximum we can do quarter three. We are working on that we have spent some money and out of the total packages, Udipi is quite active, so probably by FY2025 the max what I am expecting is 250 to 300, 350 Crores that is too the package of Udipi we may go probably FY2025 we will see a quantum jump.

Amit Vora: In the second-half total you are expecting between 300 to 400 Crores is that correct estimation.

Jami Satish: No, for the entire year of FY2024. I am expecting in the range of 250 to 350 Crores. Quarter three maybe in the range of 50 to 150 Crores.

Amit Vora: Last thing on exports. So order book that you are targeted and you have mentioned of 10000 Crores this includes both domestic and exports or it is only the domestic orders.

Jami Satish: No it is put together except we have not taken the larger target this year the maximum what we have intending is maybe 250 to 300 Crores of that maybe 180 to 200 Crores is O&M itself. FY2025 probably we may need to keep a larger target but for this year we have kept a softer target.

Amit Vora: Understood. Thank you so much. All the questions have been answered. All the best.

Moderator: Thank you. The next question is from the line of Bharani Vijay Kumar from Spark Capital. Please go ahead.

Bharani Vijay Kumar: Good afternoon, Sir. When you were talking about the opportunity from the power sector from the new projects, you mentioned projects worth 5270 megawatts from revival of projects is also there. So just my question is are these projects which have already been announced, but due to various reasons now coming up again?



Power Mech Projects Limited
November 15, 2023

S.K. Ramaiah:

No, apart from the earlier projects new list of projects have come under CIRP. Under the earlier CIRP guidelines stressed projects have been awarded to JSW of 2x350mw in Orissa, then Meenakshi 2x350mw has been awarded in Andhra Pradesh for Vedanta and now that final rebidding has taken place for the Amarkantak of 2x660mw where in PFC consortium was L1 and now it seems Adani has given some better offer, now that way most of these first phase of the project as what I said about 5270 plus megawatt more or less everything is firmed up. Now what I am trying to say that in the second phase another set of 6550mw will go for CIRP procedure to award these stressed projects and most of these projects maybe half done job it will have an investment of at least substantial investment you can say easily about Rs 20000 Crores overall investment and then in that we will have a share of opportunity of Rs 4000 to 5000 Crores. For the committed second phase of these NCLT projects government has now elaborated that and stating that state GENCOS stated can also participate in that, they have published the list of the projects also that is also coming to substantial about 6550mw megawatts once it happens that will add up to the more opportunities. I think government is very firm on this revival only because of the scare which has created that as the renewal element of the power generation percentages goes up there can be huge disturbance at grid. They want to avoid that, that situation can come anytime in the next two to three years. they want to fill up those gaps fast so that the base load operations are well established, and also coal based power plants are available for day night operations, then the renewable power gets our bulk of the generation and all the benefits with that. I think we are very clear on that and that is why we are keeping track of these projects apart from the new projects investments also.

Bharani Vijay Kumar:

My second question is of course you mentioned about the NTPCs new project and this revival and NCLT projects and other 10000. But there is no mention of any projects from state GENCOs like why is that the case are you seeing any state GENCOs projects also in the pipeline.

S.K. Ramaiah:

Yes, many state governments like Rajasthan, Haryana, Gujarat have also initiated plans for capacity addition of new coal based power projects and central entities like NLC, CIL and DVC also have initiated actions plans for about 13700mw. This over and above the revival of stressed power projects of 12000mw in two phases. The net plans on the broad break up of new and revival of stressed project summary are as under:

-NTPC 6100mw

- State & other PSUs like DVC, NLC and CIL, Adani Power – 13700mw



Power Mech Projects Limited
November 15, 2023

- Revival of stress projects 1 st phase 5270mw

- Revival of 2nd Phase 6550mw

Bharani Vijay Kumar: Okay. Maybe I will get in touch with you to get that project. Actually my question was regarding state GENCOs like say TANGEDCO or AP GENCO, these state GENCOs are not coming up with this.

S.K. Ramaiah: Yes, exactly what we are telling is exactly we are on top. Yes, they have been provided by the government to participate. They issued a specific circular for that.

Bharani Vijay Kumar: Okay, Sir, I will get in touch with you. Thank you so much.

S.K. Ramaiah: I will send you that.

Moderator: Thank you. There are no further questions. On behalf of Nirmal Bang that concludes this conference. Thank you for joining us and you may now disconnect your lines.