Date: 13.02.2023

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

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

Dear Sir/Madam,

Sub: Transcript of the earnings call for third quarter ended 31.12.2022

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 forthe third quarter ended 31.12.2022 held on Wednesday, 08.02.2023 at 3.30 PM.

The transcript is uploaded on the Company's website at https://powermechprojects.com/investor-presenations/

This is for your information and necessary records.

Regards
For Power Mech Projects Limited

Mohith Kumar
Khandelwal

Digitally signed by Mohith Kumar Khandelwal
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Mohith Kumar Khandelwal
Company Secretary

Encl:A/a

"Power Mech Projects Limited Q3 FY'23 Earnings Conference Call"

February 08, 2023

Disclaimer: E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the Stock Exchange(s) on 08th February, 2023 will prevail

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

MODERATORS: **MR. PRASHEEL GANDHI – NIRMAL BANG INSTITUTIONAL EQUITIES**
MR. RAHUL ARORA – NIRMAL BANG INSTITUTIONAL EQUITIES

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY'23 Earnings Conference Call of Power Mech Projects, hosted by Nirmal Bang Institutional Equities.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' 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 Institutional Equities. Thank you and over to you, Sir!

Prasheel Gandhi: Thanks Tanvi and good afternoon everyone. Nirmal Bang Institutional Equities welcomes you all to 3Q FY'23 Earnings Conference Call from Power Mech Projects.

On the onset of the call, I would like to thank the management team for giving us the opportunity to host the call. Today from the management team, we have Mr. S. K. Ramaiah - Director, Business Development and Mr. Jami Satish - CFO. I would now like to hand over the call to management for opening remarks, post which we can take questions from the participants. Thank you, and over to you, sir.

Jami Satish: Good afternoon friends. This is Satish here. And I have with me Mr. S. K. Ramaiah - Director, Business Development. I welcome you all to the Earnings Call Quarter 3 and Nine Months, FY'22 and FY'23.

The performance for Quarter 3 and Nine Months for this financial year continued as per our set targets for the entire year. The reported total income for Quarter 3 is around Rs. 912 crores. Again, this is all time high in terms of execution for Power Mech in its journey during Quarter 3 of any financial year.

The EBITDA is around Rs. 106 crores and PAT is Rs. 51 crores. During Quarter 3 of previous financial year, the reported total income was Rs. 650 crores. EBITDA was Rs. 72 crores and PAT was Rs. 33 crores. On a year-on-year basis total income has shown a growth of almost 40%, with the growth of revenue, growth in EBITDA is around 47%, and growth in PAT is almost 54%.

<u>Revenue mix for Quarter 3</u>

Erection business contributed almost Rs. 144 crores, civil business including railway, water projects, it's around Rs. 492 crores. Operation and maintenance, both domestic and international put together is Rs. 260 crores. Electrical business is around Rs. 12 crores, and other income close to Rs. 3 crores. During Quarter 3 of the last financial year, the same numbers were like Erection business contributed Rs. 127 crore, civil business around Rs. 268 crores, operation and maintenance Rs. 226 crores, electrical business Rs. 25 crores, and other income it was around Rs. 4 crores.

During Quarter 3 of FY'23 Domestic business has contributed almost like 89% and the balance 11% has come from the international market. Similarly, the power sector has contributed 55% and non-power sector it's almost like 45% that is the mix for Quarter 3 FY'23.

We have seen growth across all the segments except the electrical business. In the electrical business, the Company is very selective in its approach and not intending to expand its space in electrical business. O&M business has grown by almost 15% and it has contributed 29% of the total revenue for this quarter.

Similarly, the total reported income for nine months, FY'23 stands at Rs. 2,435 crores and for nine months the EBITDA is close to Rs. 281 crore and PAT is Rs. 134 crores. Whereas during nine months of the last financial year, the reported total income was Rs. 1,822 crores. EBITDA was Rs. 206 crores, PAT was Rs. 91 crores.

On a year-on-year basis, for the nine months, we have seen a growth of almost 34% in revenue. And with the growth of revenue, the growth in EBITDA is almost 36% and PAT has grown by almost 47%.

Revenue mix for nine months

The erection business contributed Rs. 458 crores, civil business including railway and water projects, it's around Rs. 1,235 crores; operation and maintenance Rs. 682 crores, electrical business Rs. 52 crores and other income is around Rs. 8 crores. Whereas during nine months of last financial year, Erection business has contributed Rs. 370 crores, civil business, it's around Rs. 775 crores, operation and maintenance Rs. 587 crores, electrical business it was around Rs. 76 crores, and other income it was around Rs. 15 crores.

And the mix between International and Domestic, the Domestic business has contributed 86% during nine months FY'23, and the rest has come from overseas business it's around 14%. And the mix between power and non-power business stands at 59% and 41% during nine months of this financial year.

The Company always been conservative in its approach since its inception and therefore while building a business plan it takes all suitable steps to retain the plan under control. In addition to the plan for sustained growth, the Company's focus will also continue on cash flow and margin improvement. We are seeing the margin profile improving gradually, maybe by FY'25, we are expecting to reach to our earlier reported margin profile and move thereafter with some gradual improvement. This is mainly on account of various initiatives what we have taken since past few years.

Moreover, we are very happy to see our execution cycle improving quarter-on-quarter. The Company has set a strong base in terms of resources, equipment, strong man power base, leadership skill, both at senior level and middle and junior level engineering skills etc., to execute projects in the range of Rs. 400 crores to Rs. 450 crores per month, which is encouraging. If you see like a few years back our execution range used to be around Rs. 400 crores to Rs. 450 crores plus in a quarter. But now the same level of execution is going to be done in a month. This shows the transformation of the Company that has been done for sustained growth.

All the existing projects are on track and moving as per the schedule. The execution plan for the year and for the next financial year remains on track and we do not see or anticipate any changes in our business plan. Similarly, seeing the present opportunity sides the order book target for the current and next financial year looks to be comfortable. Each month the business development team review is done based upon changes to see that the overall target of the Company is intact.

The Company is also expecting good amount of order booking and execution cycle at international market. The team is strengthened even at international market, especially we are expecting good amount of additions in the operation and maintenance the Nigeria market.

Moreover, the Company has set a strong risk management policy and team to review each project progress and identify associated risks. This is helping us to proactively mitigate at early stage for any associated risk if any. The initiative which the Company's has taken a few years back is helping now for a sustained growth across verticals.

Coming to the next line items, depreciation as a percentage remained on the lowest side as we have even stated in the last call that because of control CAPEX this line item is kept more or less flat. Similarly, finance cost as an absolute number remained controlled. There has been some increase in the non-fund utilization because of the order book increased and execution cycle improvement. Now, as a percentage we are expecting it to come down further.

The overall working capital cycle seen improving for the period due to changes in the customer as well as the business mix. The net current day excluding cash and cash equivalent, is ranging in the range of 145 to 146 days during the period, and as stated earlier, this is expected to improve further. As you all know like this used to be 153 days, 31st March 2022 and 205 days, 31st March 2021. So, there has been significant improvement in the working capital cycle.

Moreover, the operating cash flow we have seen is positive; it's around Rs. 45 crores plus during the period. And more importantly, we are seeing that the average monthly collection improving each month which used to be Rs. 250 crores to Rs. 300 crores now it has gone almost like Rs.

300 crores to Rs. 350 crores plus. And we are expecting this to go up again to Rs. 400 crores to Rs. 450 crores per month with the growth of the business.

And coming to the debt line item, the gross debt, it stands around Rs. 535 crores and the net debt is almost like Rs. 336 crores, whereas FY'22, it was Rs. 527 crores and the net debt was Rs. 320 crores. So, in spite of growth in business execution cycle and all this number we have kept flat. And we are working to bring it down. So, this shows the improvement in the working capital and the cash flow.

Coming to the order book the backlog as of 31st December 2022, it stands around Rs. 24,200 crores. And the plan we have set close to Rs. 10,000 crores for this year. We are trying to move towards that line items. We have done so far Rs. 8,500 crores. Apart from that we have projects which are L1 close to Rs. 970 crores. So, we are comfortable reaching to the closer number, the target what we have set for this year.

Now I request Mr. S. K. Ramaiah to say a few more developments before we get into question-and-answer session. Thank you.

S. K. Ramaiah: Good afternoon, everybody. Thanks Satish for your update on the various numbers. I think we continue to be bullish in our approach on the new opportunities and the development activities and marketing from a variety of customer base and the investments which are taking place in all the sectors of the economy.

Basically, there is a substantial growth in the order backlog compared to March 2022 in Rs. 8,854 crores. Now it has reached almost 15,000 cr, Satish has told that is almost more than 90% growth in the order backlog that has been propelled by substantial opportunities in FGD business, in various infrastructure projects, and then other key opportunities.

For Quarter 3, the total order booking has been Rs. 1,531 crores compared to Rs. 1,628 crores, to the last quarter. And of course, in the 2nd Quarter there was a bulk order on FGD particularly. That we are now at Rs. 8,500 crores for the year to date, and there is scope end up to Rs. 9,500 crores to Rs. 10,000 crores would be a reasonable possibility, at the end of the year. That should help us to build up a backlog of nearly Rs. 15,000 crores by the end of the year of March 23 .

Now the key segments as already told you know, the order back log segment wise w r t March 22 and Dec '22 is that; mechanical backlog has gone up from Rs. 1,650 crores to Rs. 8260 crores, Civil it was Rs. 5,842 crores to Rs. 5,663 crores , and O&M Rs. 1,240 crores to Rs. 850 crores, and the electrical Rs. 118 crores to Rs. 136 crores. And then the Domestic there is substantial growth because of the more number of the opportunities, and obviously we continue to focus on the Domestic market because of all the opportunities available. And then the power sector continues to give fillip to the order backlog based on the FGD opportunities and a few of the other installation opportunities coming up, that comes to Rs. 9,638 crores versus non-power of Rs. 5,268 crores. Apart from the MDO, this is the backlog. Excluding the MDO order.

Now, coming to the key orders bagged, apart from what we have bagged in the first two quarters. The BMRCL Challaghatta Bangalore workshop depot are on Rs. 427 crores, and then wagon repair shop of railways Rs. 250 crores and then other FGD jobs are there. And then the L1 status is there for about Rs. 970 crores. Therefore, with these opportunities, obviously, what we are targeting for nearly Rs. 9,500 crores to Rs. 10,000 crores would be a possibility.

And then coming to the next year 2023-24, we are already mapping some of the opportunities and as we have seen the investment in the current budget of infrastructure and capital investment of Rs. 10 lakh crores and the major investment is coming in the railways 2.4 crores and then roads 2.7 crores and then in energy sector , drinking water & other areas also. And therefore, we are in line with these opportunities brought out by government investments and then particularly in the drinking water schemes, then energy sector, oil and gas sector, mining and minerals apart from the roads. Therefore, these opportunities will be continued to be aggressively pursued by us. And our estimation is that we can target nearly opportunities over Rs. 30,000 crores to Rs. 35,000 crores.

And then International also because of our Domestic bullish market, we were not focusing much in the last one or two years, but it will be opening up in the Middle East Market with 300 gigawatts of opportunities on the O&M . And then West Africa is there, Nigeria we are already working there. And we are also undertaking an O&M job for the Dangote job which is just now completed, and then other countries in the Western Africa.The total investments needed in Africa to bridge the electricity gap is around $ 100 Billion. Bangladesh also offers opportunities in both gas based and coal based power generation.

And then Domestic obviously, there is going to be continued scope potential for the FGD about 80,000 MWs. Then some of the new plants are also expected to come in Neyveli Lignite Corporation in Orissa for 2400 MW, then NTPC is planning to add additional capacity in Singrauli, Lara and other projects also. Therefore, there is going to be some additional opportunities which is expected in the thermal sector also. And then infrastructure particularly mining, minerals and then coal mining and material handling, railways. Railways is going to be a substantial opportunity, in fact, already we are doing about six, seven projects and there are a lot of opportunities in maintenance shops and repair shops. And then this Metro project, Metro projects this one we have got in Bangalore, for the Challaghatta project. Similar projects we can take up for the new Metro projects because wherever Metro projects are coming, there are maintenance shops that are required, and that is a focus on the new opportunities.

Therefore, all these things combined together, it is not a challenge to target opportunities to Rs. 30,000 crores to Rs. 40,000 crores. And with a hit rate of 20% to 30%, I think next year target is about Rs. 7,500 crores to Rs. 8,500 crores that should be a reality. And this growth story should be continued to be maintained in the coming two to three years. Apart from the new opportunities will come up. And one more thing, what I can say is that there is going to be huge investment which will come up in the private sector particularly in the minerals and metals, steel etc.

With increased investments Arcelor Mittal is going to make major expansion. Then JSPL is coming with expansion. JSW is coming with expansion. Apart from that, minerals and coal mining a lot of expansions are expected, and these opportunities will grow both for EPC jobs, then erection testing commissioning jobs and many of the other civil works etc. For that also if we factor it these opportunities will further go up, that is what I would like to say. And then we can now wait for your questions. Thanks.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: First question is on the revenue guidance for FY'23, I think you had given a guidance 36 billion, are you maintaining that number and how do you see you know FY'24 on this base?

Jami Satish: Yes, see FY'23, we are on track, normally like if you take nine months, first half and second half, the second half which is significantly high compared to first half. So, the targets and execution cycle more or less on control. So, we are confident that number will continue. '24 even like, we have kept, water will play a significant role and of course O&M will continue to be around Rs. 1,150 crores to Rs. 1,200 crores. And the water business because the order backlog what we have taken is close to Rs. 2,800 crores to Rs. 3,000 crores. And the calculation is per village it's working around one crore, now post Detail Project Report, (DPR) the value is going up almost like 20% to 25%. So, now the order book we have taken the original contract value, once the few villages it's been revised and almost like 20% to 25% had to revise. So, maybe FY'23, 31st during quarter full will revise the complete number.

So, this will throw a huge backlog for us even in terms of execution, water itself now around average its working almost like a January, post to December, January it's almost like Rs. 120 crores to Rs. 150 crores. So, this cycle is expected to improve to Rs. 150 crores to Rs. 160 crores. So, maybe Rs. 1,400 crores to Rs. 1,500 crores execution cycle we can expect next year. So, seeing the order backlog now, on average 42% to 43%, it's quite comfortable to take it next year.

Mohit Kumar: You are talking about the number of 43 billion, is that number, is the number --?

Jami Satish: No, conversion it's 40% plus to 42% plus conversion to the opening order book, it's quite comfortable. On top of that, the temporary shutdowns and any new orders comes in the next year, that will also add to the kitty. So, if all goes well revised looks like FY'24 we should cross almost like Rs. 5,500 crores plus.

Mohit Kumar: Have you started executing Adani FGD project, and has it started contributing or do you think it will take some time for it take off?

S. K. Ramaiah: I think we had a thorough review on all these projects of Adani, 15 plants of 8460 MWs. And reasonably the first is the ordering of around Rs. 1,100 crores have been ordered, another Rs. 100 crores is expected by end of March. And next year by the 2nd Quarter and maybe beginning of the 3rd Quarter, most of the ordering will be completed except for the last segment Electrical C&I, & that should give a good track in terms of execution of this because there are commitments on all these projects and also with a local regulatory in place to approve these projects for the PPA and other clearances. Therefore, we are on track on all these projects as on today.

Mohit Kumar: Lastly on Talabira, Singrauli, Lara what are the kinds of opportunities we can cater to, and are you seeing the tenders -- the Company's for where we will be eligible?

S. K. Ramaiah: Yes, you mean to say for the power plants?

Mohit Kumar: Yes.

S. K. Ramaiah: Yes, see Talabira 3x 800 MW, NLC has already invited bids BHEL and L&T ar, and they are yet to take a decision; maybe by end of this year, perhaps they will take a decision that way this opportunity will be there. And of course, NTPC are inviting bids for the Lara project also 2x800 MW,& there is Singareni 2x800mw also, that is an additional opportunity .NTPC has awarded 2x660mw Talchar project to BHEL Therefore, , all these projects will come up possibly for the next year in terms of the power sector business.

And then I told you about the FGD business. And in FGD substantially what we are doing is that, now Udangudi we have already provided an offer. And then JSPL is coming with the FGD conversion for all their plants in Tamnar ,Raigarh that is in Chhattisgarh, & Odisha, that will be a substantial opportunities in terms of roughly around 4200 MWs. And we have a good relationship with JSPL in Angul, Tamnar and various other projects Raigarh, and that should throw up opportunities at least about Rs. 2,500 crores to Rs. 3,000 crores apart from the other government tenders and utility tenders, which are expected to be completed.

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

Dixit Doshi: So, my first question is on the status of MDO project, so is it online? Is it on stream? Like earlier you were saying earlier, that by Q4 FY'24, it should start generating revenue.

Jami Satish: Yes, I missed to update one good development. See for starting this MDO project the critical milestone is Stage I forest clearance, and we have got it. So, it's in terms of approvals now in place. Next two months, the environmental clearance will follow because Stage I FC is important for environmental clearance. So, by June we will start ground activities. So, this project is completely under control and it is as per the plan. So, we had planned close to Rs. 50 crores plus FY'24 and that is in control, it's possible. There may be slight improvement because of the escalation, we have taken the price as we quoted, so probably maybe second half or Quarter 3 of next year, we will review the numbers and we will come up with the revised numbers. So, the number is going to Rs. 50 crores plus.

Dixit Doshi: Now my second question is just to understand so whenever we execute any particular work, after completion of the work at every month we must be generating the invoice to the client. Let's say if some clients don't pay then till what level we work or we stop the work?

Jami Satish: Normally, see being a cash contractor right it's all cash contracts, the payment cycle is normally 30 to 60 days, but as a practice, it's going almost 70 to 75 days. So, existing customers wherever we understand we go up to 60, 65, 70 days also, but new customers we don't work beyond 40, 45 days. So, we see that the payment is well protected otherwise we will end up incurring additional cost.

Dixit Doshi: But in the past have we done like let's say if some payment is not coming beyond 70 days also, we stopped the work typically?

Jami Satish: This case has been in multiple instances, we have to build that pressure, because our like 50% to 55% in some of the projects even 65% is manpower okay. So, we have to build that pressure that my payments are linked to our collections. So, we have done in across, in multiple cases.

Dixit Doshi: And my last question is on this Adani FGD order. So, earlier you have mentioned that we are going to receive the advance and we will not require to deploy our own funds in this project, is it --?

Jami Satish: Even today the stance remains the same, it's a complete, the plan is to have a cash neutral project. So, we will not invest anything in terms of working capital except the equipments of Rs. 25 crores to Rs. 30 crores, which we have already done that. So, we have taken almost Rs. 100 crores of advances for this project. We have already availed this. And we are expecting the last two days we got some amount and maybe next one week, we will be getting another Rs. 25 crores to Rs. 30 crores. So, need base we are trying, because interest free. And our progress is again aligned to the receipts. So, it's on track. Yes, you are right. It is going to be a cash neutral project.

Dixit Doshi: And just one last question. So, in terms of margins across the segments, we generally have a similar margins or it varies like erections, civil work, O&M?

Jami Satish: The margins profile changes actually O&M that's where we command more and compared to Domestic and International, International is slightly higher side. And mechanical, it works around 11.5% to 12.5%, civil it's working now 9% to 10.5%. The reason being, we have spent in terms of royalty to build the credentials since four to five years now. And we are getting that fruit now. So, what will happen is the projects which we have quoted, paying the royalty now that's getting over maybe next few quarters, we will see that margin profile improving. So, we are targeting that FY'25, at least we should reach to our normal reported higher margins, which used to be 13% to 13% plus. So, that's where we are working towards.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: I joined the call a bit late, maybe it could be a repetitive question, I am sorry for that. I just wanted to check what update did you give on the Rs. 6,000 crore of the order, which has come from Adani Power on the FGD side, in terms of execution, in terms of the timeline?

And will it by any chance change the initial expectation of revenue that we had for the '24 and '25, which I think in the last quarter, we mentioned that we will do about Rs. 3,800 to Rs. 4,000 crore revenue this year, and about five and a half next year. So, does it change anything? Does it change in terms of the order inflow advances? If you could comment on that, and I am sorry if this question was answered earlier.

S. K. Ramaiah: Yes, as Satish has stated, more recently the advances are on track, Rs. 100 crores and another Rs. 50 crores are also in the pipeline. And as far as the conversion is concerned, these projects are expected to be completed by '25. Therefore, the most important for all these project execution is the ordering cycle. Now the ordering cycle will be completed in the next six to nine months. Therefore, the conversion should be on track this year. This year we may get about Rs. 50 crores to Rs. 100 crores of turnover, the coming year about Rs. 1,500 crore minimum we are expecting it, and balance will be completed in the next 12 to 18 months.

Therefore, these projects are fully committed and we are keenly following it up on all the aspects of that execution. And the major works will be on the civil, mechanical supplies, structural and equipment supply. And as I told you Rs. 1,100 crores ordering has already been done and the balance ordering will be completed by 2nd to 3rd Quarter. And that should pave the way for reasonable timely execution barring the local issues whatever is there that is a access availability, customer acceptance of certain things, all those things the normal project issues can be there. Otherwise, we are very confident on continuous tracking this project reasonably.

Jami Satish: And see Rs. 3,500 crores to Rs. 3,600 crores it's more or less in control because nine months so, we have seen the execution cycle improving and it's going as per our plans. So, this year the guided number remains under control and next year even Rs. 5,500 crores plus okay and any improvement in the additions of next year that may add ups some more but will come with that numbers maybe 1st Quarter of next year. As of now the number what you have given that remains intact.

Pritesh Chheda: So, you have got Rs. 1,100 crores of order already issued on that Rs. 6,000 crore of order backlog that you have from Adani that's what you were mentioning, right. Rs. 1,100 crores work order has been issued.

Jami Satish: Yes.

Pritesh Chheda: And what is your revenue assumption from that order for next year that is '24, in your total Rs. 5,500 crores revenue that you are thinking?

S. K. Ramaiah: Our assessment is that around Rs. 1500 crores for the FGD jobs --

Pritesh Chheda: And this being a more regulatory nature order so it was a compulsion to put up these FGDs. Is there a timeline issued for implementation of it by any regulatory authorities or anything?

S. K. Ramaiah : I will tell you; the entire FGD retrofitting is guided by the (CEA) Central Electricity Authority there is a schedule of year 24 to 26 that is three categories of plants are there Class A, Class B and Class C and most of these plants come under Class C therefore '25 and '26 therefore, there is a reasonable time available to implement this project to meet the regulatory deadlines fixed by the government. And accordingly, the ordering is being done and that is how the EPC order also has been placed by Adani on us.

Pritesh Chheda: So, in any situation, can this be canceled or postponed or it is a compulsion to implement?

S. K. Ramaiah : No, it is part of the national commitment. And second thing is that the FGD implementation 169,000 MW is the total plant capaicity identified out of 210,000 MW, this is part of the mandatory incorporation committed to the COP 2026 and the rest of commitments are there. And it is very important for this country to meet sulfur dioxide emission control and there is no going back on this. And in fact, ordering is being done by various developers . Order flow is expected in fact, a lot of inquiries are coming already more than 55% ordering has been done another 40% to 45% has to be done perhaps in the next one year all these orders should be completed.

Pritesh Chheda: And so what is the progress on the balance 80,000 MW of projects where the FGD order is yet to be placed and you are hoping for some order wins there?

S. K. Ramaiah : Yes, we are targeting nearly around 7000 to 8000 MW in that. I told you JSPL is there, Vedanta Group is there, they are all favored customers and then private & public sector utilities also in Tamil Nadu we are targeting; already we have submitted the offer. And other selected places wherever we are there, we can do that our plan is to at least see the opportunities for about 7000 to 8000 MW..

Pritesh Chheda: And my last question is our MDO order execution will start in '25, right that's how it is or is it in FY24?

Jami Satish : See MDO just before your question we had that update so MDO we have cracked the first milestone which is important to start the project that's the forest clearance Stage I. Now that Stage I clearance comes then Stage II and environmental will follow in two months. So, we have got that approval, now the approval part is in control. So, the execution ground will start June onwards. So, the Rs. 40 to Rs. 50 crores or maybe slightly this number may go up, because of the escalation and what we had projected is as per the timeline sir.

Pritesh Chheda: So, the execution of some business will be there in '24, right?

Jami Satish : '24 we are expecting close to Rs. 50 crores and rest likely for because of the escalation figure and thereafter there will ramping up.

Pritesh Chheda: And on the margin side do we expect any expansion in margin next year?

Jami Satish : There is a gradual improvement, because see last four or five years we are losing in terms of royalty in spite of for our core business doing good amount of execution margins. There is high probability that it will go up, but we are confident that now because of all these new initiatives '25 at least we will try to reach to our normal margin successfully, that's the plan.

Pritesh Chheda: This is that 2.5% of order that you have to pay for --?

Jami Satish : Yes, that cycle is coming down, now slowly the margin profile has improved, so we are saying that by '25 we should go back to our normal reported margin of 13% at least.

Moderator: The next question is from the line of Jayant Sinha from Jay Tours & Travels. Please go ahead.

Jayant Sinha: This is a repetitive question I think, this is regarding the Adani order only because of the Adani things order, I think our share got beating. Now regarding the payment of Adani order of Rs. 6000 crores how safe placed we are regarding the payments and the execution?

Jami Satish: As we have said okay, even we had similar questions okay. As we said, this is a cash neutral project we have more or less advanced, we will draw and use it need based. So, we have drawn Rs. 100 crores plus, we will be drawing some more amount. And almost Rs. 1100 crores to Rs.

1200 crores order has been done. Now it's a global mandate and for them also there's a time pressure. So, in terms of execution, it's on track. We are planning maybe Rs. 50 crores to Rs. 100 crores of turnover this year maybe next year we have planned Rs. 1200 crores to Rs. 1500 crores. And this number may further go up because of time pressure, but that will come in maybe Quarter 1 or Quarter 2 of next year based on the progress. It's more or less absolutely under control there is no slowdown.

S. K. Ramaiah: And to add to what Satish said whatever projects we are doing with Adani so far, we are having a reality check on that road project and then there are two mining projects, what we are doing in Orissa O&M jobs also under execution, and nowhere our bills are pending for more than a month, on 30 days to 40 days.

Jami Satish: 16 years of journey we understand the customer. So, my maximum payment cycle is 30 days. So, as you see as of today, no dues actually pending. And this being large contract, as a risk mitigation, we have ensured that it has to be cash neutral project except for CAPEX of equipment of Rs. 25 crores to Rs. 30 crores, of course, those are in-house equipments. Apart from that, there will be any working capital investment from our side, it's on track.

S. K. Ramaiah: In fact, we had a review with the Adani teams and we are getting confidence about as far as these investments are concerned because they are very specific for meeting the regulatory requirements and they are already committed on this project. And there are PPAs also in place.

Jayant Sinha: So, according to my understanding after completion of this project maximum payment cycle will be 30 to 45 days?

Jami Satish: This project, yes so these all are 30 to 45 days, maximum beyond that we cannot afford to wait.

S. K. Ramaiah: In the case of Adani FGD job, our commitment for investment working capital is only based on what we receive from them.

Jami Satish: That is how we have structured.

S. K. Ramaiah: That is how we have structured the entire contract. For our vendors we will pay only once we get from Adani.

Jayant Sinha: So, once they pay you the advance then only you will execute the order?

Jami Satish: But today, I have surplus. I have taken almost like more than Rs. 100 crores plus, what I have released is hardly Rs. 60 to Rs. 65 crores, I have surplus cash.

Moderator: Thank you. The next question is from the line of Anupam Gupta from IIFL Securities. Please go ahead.

Anupam Gupta: Just one question the mining MDO revenue for FY24 you said Rs. 50 crore or Rs. 250 crores.

Jami Satish : Rs. 50.

Anupam Gupta: And in FY25 this number should ramp up to what level?

Jami Satish : MDO, Rs. 25 let's take this a base number without escalation it will be in the range of Rs. 155 crores to Rs. 175 crores.

Anupam Gupta: Escalation versus base prices is approximately 40% on current cost?

Jami Satish : Yes, today see the quoted price is Rs. 886 as per today's escalation it's working almost like Rs. 1450. Yes as you rightly pointed it is slightly higher side because diesel has been given price escalation index, more weightage because of that, this price is significantly has gone up. So, the cost is not proportionate. So, the margin profile should also improve.

Anupam Gupta: And in terms of when you consolidate it in your balance sheet what sort of CAPEX should we build in for FY23 and FY24?

Jami Satish : FY23 very max of Rs. 15 crores because not much investment will happen. FY24 see we have planned equity infusion of close Rs. 100 crores plus so 75% will come from our books. So, maybe Rs. 150 to Rs. 160 crores both the equipment put together equity and plus the term loan and all so it may range Rs. 150 to Rs. 180 crores and the rest FY25/FY26.

Anupam Gupta: Rs. 150 basically includes Rs. 75 crore of equity and balance of CAPEX.

Jami Satish : Yes the Rs. 75 crores, we will infuse '24 maybe Rs. 30 to Rs. 40 crores and '25 the rest.

Moderator: Thank you. We will move to the next question from the line of Riken Gopani from Capri Global. Please go ahead.

Riken Gopani: I have three questions, the first one on the order book. So, you have mentioned for next year that you might bid for about Rs. 30000 crores to Rs. 35000 crores of order in the domestic market and at 30% that could give you about Rs. 8000 crores to Rs. 9000 crores of orders here. But you are also saying that you would increase the focus on the international market next year as well. So, overall, what kind of order inflow do you expect in international and in aggregate, what kind of accretion do you see to the order book for next year?

Jami Satish: The plan what we have kept Rs. 7500 to Rs. 8500 crores that includes close to Rs. 700 crores of international order book, that is a target. So, that will be combination of maybe 50% O&M and 50% will be the mechanical space.

S. K. Ramaiah: Actually, our opportunities in domestic is substantial, whatever we get better opportunities comes, there we will target in international market also because Domestically lot of domestic opportunities are available. We have seen last year also the same thing.

Riken Gopani: Rs. 7500 crores is roughly what you are expecting is the domestic inflow. And in that, are you looking at any FGD orders as well or this is outside of that?

S. K. Ramaiah: No FGD is total opportunities where we may be bidding for about Rs. 5000 crores, maybe we will expect about 30% in that.

Riken Gopani: Next question is with regards to the cash flow that you have been able to improve the overall working capital cycle, as you mentioned, compared to last year as well. So, what is driving this improvement? And in terms of next year what's the direction that you would want to guide?

Jami Satish: It's very simple, like if you see, we have been working for 23 years with BHEL. The experience with BHEL used to be slightly different five years back, but now since five years, we are seeing the receivable cycle going up to 80 to 95 days, okay and so that was one of the reason. And some of the projects BHEL when the project is award to company, the final bill certification they are taking slightly longer time. Now since four to five years, we have been working in various directions, various initiatives like railway, water, international and all, so now we are selecting projects where we see that the project is well-funded, and the working capital cycle is good and our comfort in terms of the execution. So, that is helping us to –

And bringing down the BHEL pie, if we go back seven years back, the BHEL pie used to be almost at 65% to 70% I think. And if we go two years back the BHEL pie used to be almost 35% to 40% but now it has come down 14% to 15%. So, that is helping us a lot to rotate the working capital and the retention money which we had 250 to 280 plus, now in spite of growth to get keeping it constant the reason being like some of the projects, we are negotiating, especially the private customers that the retention money comes with support of the BG. So, that will further help us to support in terms of the working capital.

Riken Gopani: So, you are expecting this 138 days to also further come down in the next year?

Jami Satish: The idea is to bring it down to at least 135 days first, at least next 12 months, that's the plan. And with the new initiatives and all the new projects there's a high probability that that should further come down. So, we are seeing gradual improvement.

Riken Gopani: And just in terms of one clarity on the FGD bit, you mentioned that there is a regulatory timeline that needs to be followed. But just to understand this better, are there any requests that can be taken to postpone this or is under no situation can there be any postponement to the timelines that are being currently outlined for FGD?

S. K. Ramaiah: Yes, I think, these deadlines are continuously monitored by the Central Government or the CEA, (Central Electricity Authority) also, earlier they had fixed '24 and now they had made it '26. And looking at this, because it is not only the main ordering is important, but the way it is implemented with the availability of the plant also for the execution and then availability of the access there because they are all to be retrofitted, those factors will be taken, and the availability of the equipment also from where they are source ,& how it is sourced etc. For all these aspects and then of course, in all this FGD investment is also part of the tariff pass-through. And all these aspects also had to be firmed up with the tariff commitments from the DISCOMs and Electricity Boards. Therefore, it is a combination of all these factors, but the commitment to implement FGD is very clear. And that is what is seen in the ordering also, a lot of ordering is continuously happening out there.

Riken Gopani: So, it's at least fair to assume that the projects which you have on hand currently, there may be reasonable visibility that they are not being pushed any further and it will be done by FY'25?

S. K. Ramaiah: Yes, that is our optimism.

Jami Satish: We are seeing that on the ground.

S. K. Ramaiah: And we are also watching the way the ordering is being done because ordering is the most important thing for all these projects. And apart from that we are executing two other projects for BHEL also, that is on the civil side, they are also on track. Therefore, we don't anticipate huge delays on this, because the government itself is pushing for this completion. And there is a commitment from the developers also.

Moderator: Thank you. The next question is from the line of Sheen George from Geojit Financial Services. Please go ahead.

Sheen George: Can you give us the revenue forecast for like, what is the estimate for FY'24 and FY'25?

Jami Satish: See '24 like, as we discussed as we also stated like, see the conversion 40% to 42% is very much likely. So, Rs. 5,500 crores plus any upside on the FGD that will help us, that's the plan. So, for ‘25, because MDO is going to start and we are about to even close the water projects and all, okay. So, there could be even some upside in FY'25 also. So, that should range maybe in the range of around, taking MDO together it should range close to Rs. 6,000 plus because we have the complete water project also.

We have kept a target of Rs. 7,000 crores to Rs. 7,500 crores and in '25 we have kept the order book target of Rs. 8,000 crores. For FY'25 order book, we are not taking any conversion percentage, I am just taking the backlog.

What I am trying to say, for FY'24, we have kept a target of Rs. 7,500 crores plus of order booking. And FY'25, we have kept a target of Rs. 8,000 crores plus order booking. So, taking 40% conversion to the opening order book, I am not taking the addition for that year. So, we should be able to cross Rs. 6,000 plus for FY'25.

Sheen George: What about the order intake estimates are there?

Jami Satish: In fact, for this year we kept Rs. 10,000 crores so we will be close to that number, FY'24, Rs. 7,500 crores plus and FY'25 Rs. 8,000 crores plus.

Moderator: Thank you. The next question is from the line of Anish Jobalia from Girik Capital. Please go ahead.

Anish Jobalia: You actually gave some numbers around the cash flow from operations in your initial comments. So, if you could just, you know, I lost your voice during that time, but if you can give the number for the nine months. And what are your targets for the full year as well as for the next year? I mean, given the scenario of the improvement in the growth in revenues and margins and also working capital that we are expecting. So, if you can share some numbers, that would be great?

Jami Satish: Yes, see for nine months, it's close to Rs. 45 crores to Rs. 50 crores plus, that is the number, and this number is expected to go up because whatever is required to mobilize the projects, we have spent the money for all the new orders including the solution to Kazipet and the Bangalore Metro. So, whatever mobilization is required, initial mobilization we have done that. So, FY'24, yearend it may be in the range of maybe close to Rs. 100 crores, that is what our expectation. And '24 that number should go up maybe close to Rs. 180 crores to Rs. 190 crores.

Anish Jobalia: So, I mean like if I see the half year, so in the half year I think like we did already like Rs. 62 crores. So, if we have done like Rs. 45 crores it means, like there was a negative cash flow from operations in this quarter. Is that correct and --?

Jami Satish : It may be Rs. 10 crores to Rs. 15 crores with the difference, yes, you are right.

Anish Jobalia: So, but then we are still expecting to achieve the Rs. 100 crore CFO for FY'23 that's the target, is that correct?

Jami Satish : That's the target. So, the reason being like the new projects like Kazipet and Bangalore Metro, whatever mobilization is required we have done internally. So, the building starts maybe 30 or 45 days thereafter, normally it takes 30 to 60 days. So, whatever the other projects we have on hand it's all been spent now. And Quarter 4 normally, it's a good quarter for collections and in terms of execution, there is a pressure from, there always used to be pressure from the customer during the Quarter 4, and if you see in terms of quantum also, Quarter 4 will be almost will be the high, comparatively to Quarter 1, Quarter 2 and Quarter 3. So, we are expecting good amount of collections.

Moderator: Thank you. The next question is from the line of Riken Gopani from Capri Global. Please go ahead.

Riken Gopani: Just one follow up question with regards to FGD. So, the current order wins that we have that is for about 6000 MWs. And the total order book reflects about Rs. 6,000 crores, is it about a crore or so for MW that it works out to you, is that how it works. And in that context, when you said that you are targeting to make about 8000 MWs of additional ordering here then just help me understand why you are building in Rs. 1,500 crores in new order win expectations for next year?

S. K. Ramaiah : There are two types of packaging , one is a complete EPC package is there, what we got from Adani Power Rs. 73 lakhs per MW. And there are contracts which are awarded on a package basis, like civil, mechanical, supply and then services jobs that can vary between Rs. 20 lakhs to Rs. 30 lakhs per MW, as per the customer choice. Therefore, and then the orders which are in the pipeline from the CESC, Goenka Group is based on this type of philosophy only not on EPC basis. Therefore, it is a combination of EPC then the packaging wise and all, but what I said on a ballpark basis if we take the 7000 to 8000 MWs, the opportunity of what we are going to target is around Rs. 5,000 crores to Rs. 6,000 crores, and then based on our past experience and the competitiveness in the market that is what the figure I told about is Rs. 1,500 crores.

Riken Gopani: But the total remainder of the power capacity which needs to get the FGD retrofitting done, that is about 80,000 MWs, is that correct?

S. K. Ramaiah: Yes, it is around 80,000 MW, rest of the private players like Adani, they have taken advance action, now JSPL is there, JSW is there, Vedanta Group is there. And then various other private developers also have to do it, and apart from that state utilities are also there, for example, Tamil Nadu is coming with a lot of enquiries and then Maharashtra, then Gujarat state, then most of the states you know they will have some residual orders or the bulk of such orders needs to be completed by many developer , and only NTPC has done bulk of the ordering, and then some of the private players. Therefore, all the ordering they have to complete in the next one year, because the deadline is 2026. On that basis these figures will be worked around.

Riken Gopani: So, you will still be participating in that 80,000 as well. This is just based on what you have current visibility of?

S. K. Ramaiah: Yes, but what I am trying to say, these are all individual packages, individual plants are there, therefore about 10% of the available opportunity we will participate that is on rough conservative basis, maybe we will like exceed that also. But we are taking this initiative based on our target for execution which we can do with our growth plans.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

S. K. Ramaiah: Yes, Ramaiah here again. Thanks a lot for your presence and all. I think Satish has given the numbers and the marketing and the opportunities available in the project, union budget of 10 lakh crores of investment and there is a 30% increase in the capital investment as a whole by the government. And now private capital will come in a big way in infrastructure, then captive equipment, steel plants, infrastructure projects, mining, minerals etc. I think the opportunities of Rs. 30,000 crores to Rs. 40,000 crores is not a challenge. And therefore, the targets what has been fixed for Rs. 7,500 crores next year and then continued to be maintained afterwards, is reasonable and possible.

And our execution cycle also is improving, with better understanding of the business in various projects, what we have done, wherever we entered new business in non-power, the execution cycles are improving, and our projects are getting controlled, with better execution and also cash collection. Therefore, we remain optimistic, and the numbers have seen that in terms of the ordering, execution and then other PAT and EBITDA margins. That is what I would like to say. Thank you.

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