MTTL/SECT/093/2023-24 **Date: 20th February, 2024**

The Secretary, Listing Department, **BSE Ltd.,** Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001. **Scrip Code: 526263**	The Manager, Listing Department, **National Stock Exchange of India Limited,** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051. **Symbol: MOLDTECH - EQ**

Sir/Madam,

Sub: Transcripts/Outcome of Analysts/Investor/ Earnings Conference Call for discussing the Un-Audited Financial Results (Standalone and Consolidated) of the Company for the quarter ended on 31st December, 2023 and other Business Updates.

Ref: Regulation 30(6) of SEBI (LODR) Regulations, 2015.

This has reference to our letter dated 9th February, 2024 where-in the Company has given intimation to the exchange(s) about the schedule of the Analyst/Investor conference call of the company for discussing the un-audited financial results of the Company for the quarter ended on 31st December, 2023 and other business updates on **Wednesday, the 14th day of February, 2024 at 4:00 p.m. (IST).**

In this regard, pursuant to the requirement of Regulation 30(6) read with Para A of Part A of Schedule-III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Analyst/Investors conference call of the company and the same has been uploaded on the website of the Company at:

https://www.moldtekengineering.com/investors.html

Thanking you,

For Mold-Tek Technologies Limited

THAKUR VIKRAM SINGH

Digitally signed by THAKUR VIKRAM SINGH
Date: 2024.02.20 10:53:40 +05'30'

Thakur Vikram Singh
Company Secretary & Compliance Officer

Encl: A/a

"Mold-Tek Technologies Limited Q3 FY-24 Earnings Conference Call"

February 14, 2024

MANAGEMENT: **MR. J. LAXMANA RAO – CHAIRMAN AND MANAGING DIRECTOR, MOLD-TEK TECHNOLOGIES LIMITED**
MR. N. SATYA KISHORE – CFO, MOLD-TEK TECHNOLOGIES LIMITED

MODERATORS: **MR. JENISH KARIA – ANTIQUE STOCKBROKING**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY24 Earnings Conference Call of Mold-Tek Technologies Limited hosted by Antique Stockbroking.

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. Jenish Karia from Antique Stockbroking. Thank you and over to you Mr. Karia.

Jenish Karia: Tank you Michelle. On behalf of Antique Stockbroking, I would like to welcome all the participants on 3Q FY24 Earnings Conference Call of Mold-Tek Technologies Limited.

From the Management we have on the call, Mr. J. Laxmana Rao – Chairman & Managing Director and Mr. N. Satya Kishore – the CFO.

Without further ado I would like to hand over the call to Mr. Rao for his opening remarks, post which we shall open the floor for Q&A. Thank you and over to you sir.

J. Laxmana Rao: Good afternoon participants. Thank you, Jenish. We have announced the Results of Q3 four days ago, that's last Friday.

I'm glad to inform you that though the sales are flattish we have created enough positive traction in the quarter especially in building up resources that are required to handle diversified ME segments in future. Because there is good traction coming up from Tier-I clients in MES, mainly in automotive. They are asking our services to be extended beyond BIW to move into say items like press tools, dice, wiring harnesses and even in SPM, social purpose machines. There were enquiries coming our way. So, during last 6 months we started picking up senior personnel in this field and added them to showcase their abilities and along with our company's strength, we are now kind of completing some trial projects for some of the leading automotive companies in Europe mainly and Mexico.

So, these opportunities would result only maybe after a quarter or two but certainly that will be the way to grow because we were all the time dependent on BIW—that is body in white—designing and simulation, that is having kind of swings in terms of demand goes up rapidly in few quarters and stagnates if there, projects are withheld. So that was again the same case this year too. First two quarters there was a very good rush of projects. We have increased our revenues by almost 60% this quarter also the number was stagnant. But growth has again stopped because one major project—I don't want to name our client, but it is—a US based project and the labor issues in US also has delayed the project implementation and they in turn delayed the project execution from our end. That has resulted in again MES becoming flattish in this quarter which has grown rapidly in the previous 3rd Quarter. So that is one of the main reasons for our flat performance in this quarter.

However, the positive sign is we have added resources in fields of three segments which will be under marketing efforts now. Our team is already traveling in Europe and in US and we are getting very good traction for trial projects. Once we complete them there'll be flow of revenues in this in a couple of quarters down the line. Another addition is business development managers are being recruited not only in India, but we have also shortlisted a couple of Americans in USA who will be coming on board very soon.

So, these costs are reflected in the sudden spurt in the cost of employees by about 30%. Even on Q2, it is a jump of 13%. That main reason is there are of course increments given in the 3rd Quarter every year. Apart from that these additional resources were taken in the various segments and in the business, development has led to spurt in the salaries and staff expenses which has resulted in the drop in the profitability. So, this is what the brief background I'm sure there'll be more we can discuss over the Q&A. Over to the operator for the Q&A please.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We'll take the first question from the line of Ankit Minocha from MRLR Capital.

Ankit Minocha: My question is firstly with regard to the project that you had mentioned, that has led to the lower growth this quarter. So, if you could just help us with some more details and is this project expected to come back from next quarter or is it something which is like a permanent loss?

J. Laxmana Rao: It was a major project from one of the leading automobile companies in USA executed by a Mexican Tier-I contractor for the robotic simulation, supply of robotics and simulation. So that project has gone into hold during the last weeks of November December and just now they are talking about reopening it. Probably it will open up in the middle of the second half of February and then the work may start from March.

Ankit Minocha: And secondly on your employee costs which have gone up to 63%, what would be your guidance for EBITDA margins starting for next quarter and the quarter after that?

J. Laxmana Rao: It always happens like this. If you notice in the press note we have mentioned, we have added 173 new trainees this year which is the highest in our last 10 years. We never took anyone more than 70 to 80 trainees in a given year. This year we are taking 173 new trainees in both MES and civil together because in spite of the US is going through high inflation rate which impacting the real estate and construction industry in general. In spite of that we could manage somewhere around 7% to 8% growth in the civil structural detailing. That's mainly because our credentials are well established, and clients are coming back with new projects wherever they get one. They are preferring Mold-Tek to be their preferred vendor. So that way our civil though it is not a great growth which is somewhere around for nine months it's 7% growth on civil which is our major contributor. January started on a very positive note. We blocked more than $1.5 million worth of projects. In terms of invoicing this will be close to 2 million because we will be having at least 30% to 40% change orders and initial work whenever a project is awarded to us. So, it was a good trend starting in January. That is also again not because the economic situation has changed in the USA, but our credentials are improving. Our clients are finding our work very satisfactory to them and that's how the repeat orders are improving. Going forward we see the civil can improve at 7% into at least 12% to 15% next year given the traction what we are noticing now. But in MES is where we have just lagged in this 3rd Quarter because of one major project got held up.

Ankit Minocha: My question was also on regard to our current EBITDA margins for Quarter 3 at 26%.

J. Laxmana Rao: Current quarterly, for nine months it is around 27%, for this particular quarter it fell down to 26% from 30-31 last year. So, I think maintaining an EBITDA margin in the region of 28 to 30 is possible going forward because this kind of uncertainty in MES will not be there in the next year because we will be adding at least two to three new segments where we have told in the previous con-call that we are entering in where we are now executing trial projects. Already senior people in these domains have joined us and they are able to execute the trial project successfully. And now our RFQ stage we have reached for some of these new segments. But the revenue addition I won't see happening immediately, at least from April quarter onwards. That's Q1 onwards, there'll be additions coming from these new segments which will strengthen the performance of MES considerably. EBITDA margins, I would be glad if we maintained somewhere around 28% to 30%, which is still possible.

Ankit Minocha: And my final question is with regard to the top line, in terms of the top line how are the contract lengths? Do we face any risk that the top line might if contracts there is some sort of a slowdown and contract lengths are not renewed then do we take any risk that the top line might also decrease for this kind of business or usually you expect sustained top line growth year-on-year?

J. Laxmana Rao: We have achieved 13% top line growth in the nine months. So going forward I will be expecting similar growth in the Q4 also. But the next year onwards we will be aiming at least 20% to 25% topline growth. Given our traction, better traction in civil and additional segments will be added in MES. But for this current year, I hope we'll be able to maintain the same level of growth of around 12% to 13%.

Moderator: The next question is from the line of Prathamesh Dahake from Motilal Oswal.

Prathamesh Dahake: My first question is regarding this quarter across both MES and civil, what type of projects that we do? Was there an additional number of projects that we executed? And we know the reason behind degrowth in MES, in civil what was the driver behind increase in revenue? Was it the increase in AOV or increase in projects? My second question would be in the upcoming year, we are expecting many new projects across both MES and CES. So, what kind of projects would that be, what is the duration, what is the AOV around the same?

J. Laxmana Rao: In MES the growth rate is flattened in this 3rd Quarter because as I said, one project which was awarded in October or even September, got held up and ultimately it will open towards the end of this month, February. So that has impacted the number because what happens is it's like a chicken and egg game when we are full with projects obviously, we can't take beyond our capacity. And when we are stuck with one project is held up and thereby to go back and pick up another project is not easy because having said no to a couple of projects or one project at least we said no in fact, because of our capacity was full and that project was already awarded to somebody else like Tatas or somebody took it. So, then the client wouldn't come back to us. So that is why this quarter got stuck and until now in February only. And the client was always giving us an update, it will open up in a couple of weeks. So now unfortunately it got delayed till now, February second half. Yesterday there was a message from them that it would be starting in next week. So, we are keeping our options open. But here now what can happen is when we have a greater number of people available and our ability to execute some sudden rush or a drop in a couple of projects, we can go back and take those additional volumes. What makes us better performer because last year only we have grown rapidly in numbers, number of resources. Some of them are to have the ability to switch between projects. What happens, I will give you an example. There is software called Delmia. It is simulation software. So, guys who are experts in PS, cannot handle Delmia projects within a week or two weeks. They need 3 to 4 months of training to get a command on this. So, when we have taken people more in PS and projects in PS get held up even if there is Delmia project available we'll not be having good resources to handle this. And if we take up these projects and spoil the quality or delay the schedule, you will be definitely branded bad. That will have a long-term impact. So, until we have resources who are capable of handling a variety of this software, we would be having these ups and downs. But this year we have successfully added those software and resources to make ourselves ready for a greater number of products.

Prathamesh Dahake: So, then the 103 people added in civil and 73 in MES would be fully utilized in the upcoming year, that is FY25. Would that be fair to assume?

J. Laxmana Rao: That is our strategy. Actually, these people who are added now are only in the trial level are training into different software. As I said Delmia and PS in case of simulation. Similarly in case of design there are other software. So, what skill set we have is not uniformly available across the company. There's ups and downs.

Prathamesh Dahake: By what time would these people be contributing to business? They would be staffed. Currently they are in training period, right?

J. Laxmana Rao: Yes. The training is going on and almost most of them are multi skilled now. So hopefully from April-May onwards we'll see them able to handle the projects. Not only in the field of same BIW, we also added people in harness design and wiring harnesses and press tools and dice. So those are the areas where the trial projects only are going on and the client will be testing your abilities. Even they are asking one or engineers to be kept in Europe on their site to coordinate. So, we are in the process of getting their visas done. So, this year is a kind of investment on these segments which may start yielding results from first or second quarter of next financial year.

Prathamesh Dahake: Could you please give us more detail regarding the upcoming projects across both civil and mechanical? What would be these projects and what is the average order value and duration of these projects that we are expecting?

J. Laxmana Rao: In civil the project size can be as small as $10,000-$15,000 to as big as 1.5 million. So, depending upon the size of the project and sometimes even a small project of 100K may go on for a year depending upon how the construction company is moving in the fabrication direction. Sometimes a half a million-dollar project may be completed within 4-5 months. So, it all depends upon the speed and the requirement of the end client and the general contractor. But typically, I would say 5 to 6 months is the average time for any civil project for complete invoicing. But still there will be rework corrections going on for another 3-4 months. In the case of MES, the projects that come in are generally 0.2 to 0.7 million, maximum 1 million but these projects are time bound generally to be done within 3 to 5 months. So here also there will be little rework and additional work but not as much as in a civil project. So, this is a tricky situation when you are little overloaded and in MES especially where we have a smaller team and less adaptability to different skill sets, we will find that we are overloaded in spite of, if in such situation one project gets held almost one third of the team becomes idle. And then to find a project in the same skill set might take little longer than we expect. So, by having multiple skill set in the same domain, we'll be in a position to have more flexibility.

Prathamesh Dahake: So, are any of these engineers on contract or everybody would be on your payroll? What happens if we don't get projects, it will be a substantial cost to our P&L, these people?

J. Laxmana Rao: The worst substantial cost could be what happened in this Q3. It wouldn't be worse than that because once we are well equipped with multi skilled people this percentage underutilization also will come down further. So, what I see is this quarter can be taken as a benchmark for as far as underutilization is concerned.

Moderator: The next question is from the line of Harshit Toshniwal from Premji.

Harhsit Toshniwal: Wanted to understand two things. One that the lower revenue in the quarter, would you ascribe it more because of the underutilization of employees because of the skill set gap or do you think that it's the availability of the work or availability of the contracts, that was something or basically non availability of client with the exact work proposition, that was the reason? And the second question is all the factor that if I look at the civil business, if you can throw some light up are the nature of typical contracts the short in terms of duration. You mentioned that it can range from a long period to short period but typically are these 3-4 months, 2-3 months contracts? The reason I'm asking is that is it possible to build an order book and ensure ourselves from a situation when suddenly a client delays the work that we don't get unattended or that our employees become idle to that extent?

J. Laxmana Rao: I will answer your second question. The order book is always built up, both in MES and civil. In civil because of our size, we have almost (+700) employees and different teams headed by about 14-15 project managers. That means each 30-40 members have one project manager who is having skills in few clients, let's say five or six clients. Any project comes from these five or six clients, they can easily adopt and produce it with the highest efficiency. When a new client is forced upon them adopting their standards of construction, would take few weeks but it's not a rocket science because the same software is used. So that is why in civil, order book makes very good sense and order book volume can be kept sizable. So today we have about 3.5-4 million order book for a monthly turnover of about 1.5 million. If I take too many again, we'll be able to sustain a little bit of it for a month or two. But if you keep on adding it to 7-8-10 million, then the client will not wait for us to deliver the projects after 3-4 months. Because everybody has their own plans to start fabrication and direction. But civil is much better because there we can handle multiple projects. All the skill set is fully available across the 750 people. So, in civil we are comfortable building up the order book. When it comes to MES, the skill set of different software PS and Delmia, NX. We have some people with some skill set some people with other because all these guys were added only during last one year of sudden growth. So, we have no choice. We can't wait for a person who is available with all three skill sets and we need to retrain them, either through internal training or on project training. And that processes happened last year to some extent but it's happening in a big way now. That is when we have invested on people. That's what you see in the sudden increase in the salaried staff in this particular quarter. So, this readiness will enable us to build up, work on hand for MES also which we are not able to handle because if we take too many and fail, we will be blacklisted forever. So, we need to be very cautious while accepting a project in MES. Once this flexibility comes in then we will be able to take much higher work on hand and safeguard our interest.

Harhsit Toshniwal: One thing if I may ask what are the total number of payroll or overall employees which we are having today as on date?

J. Laxmana Rao: Today it will be more than 1000. The employees who are on the technical side are around 1050. In that about 750 will be in civil, close to 250 to 300 are mechanical but in mechanical we have almost 50% of them are trainees. They are just one year old or one and a half year old.

Harhsit Toshniwal: But they are on payroll only, when you say 1050 number it includes all the trainees also?

J. Laxmana Rao: Yes.

Harhsit Toshniwal: I think on the overall management center, more from a structural point of view. So, till now we were running, we were still small in terms of size, and we are gradually evolving to a larger size revenue business etc. The focus on sales teams, a dedicated separate sales team itself. If I look at any TCS, Infosys or any other mega IT company, they have a very dedicated hunting team and the farming team conceptually. So, for us typically the leadership of 3 to 4 people, 5 people are basically managing the business to free their bandwidth, to segregate things. Any thoughts from your end? And I'm asking this in this context also that it is not necessary to stick to a 28%-

30% margin, if it comes at the cost of not being able to invest in the sales team. Rather on the contrary, even if I know that I build a 15-20-30-40-member sales team and take a 25% margin as my benchmark then does it helps allow me to build a more sustainable growth business something that can clock a 20% more consistently?

J. Laxmana Rao: I understood your question. What you're meaning is we can afford to add more BD costs at the cost of reducing your EBITDA but increase your top line faster by adding more.

Harhsit Toshniwal: The reason I'm saying because obviously sir we have that privilege of doing a work which enables us to give so good economics. It is not easy to find these economics for a 200 crores top line business, but this business allows us that advantage. The only thing is that from a bandwidth point of view. So, when I look at Prasad sir and Vamsi sir, so both of them heading their own verticals and they might need more hands in order to ensure that the sales team become very dedicated, their KRAs are linked to, as an organization we can reach to more number of clients to ensure and the whole point on the structure is that it might cost us today but it will help us to reach that 20% growth in a more consistent way.

J. Laxmana Rao: Understand your question. In fact, our thinking is now on the direction because unless you have credentials in the field of engineering, design and simulation nobody will just give you because you have more sales calls and a greater number of people are on the street. So now in MES we have created that credentials over the last 2 years. If you see the numbers 2-3 years ago, they were even a million or less than a million per annum. Now last year it is 3.5 million and I think we'll be closely coming to around (+4) or 4 million this year. So now the credentials are established. When our team is now traveling in Europe, there's a very good response from our clients because there are projects to showcase, there are models of BAV cars to talk about which we don't have 2 years ago. So, unless your credentials are strong sales calls will not help. But now our credentials are strong and actually while we are talking, a lot of salespeople are being added in the organization. At least we are doubling our sales team from 5-6 to around 10 now. All are qualified with experience in MES, mainly MES and a little bit in civil and that impact also will be coming from Q1 onwards, I hope. And as I've been telling you in the last 6 months or maybe a year, we are in the search for a structural engineering firm acquisition. We have now decided to go with big boys in merger and acquisition activities because we have tried through small boutique companies not much of success. So now we have decided to go with little established names in M&A and we are now in talks with a couple of them. If anything happens in the structural designing side, that will be at a very high cost, somewhere around \$50 to \$80 per hour even for offshore resources. And that kind of business will also give us direct contact with the general contractors, GCs and architectural firms, which in turn helps our detailing business also. But I don't want to talk about it until something concrete happens. But our eyes and our future plans are on that firmly.

Harhsit Toshniwal: Just on the first one, I think in mechanical you said that we are investing in the sales team. Why not in the steel because in steel we are 6-7-10 year old organization doing this? We have a lot of credentials already built in. So, then it makes even more sense to use that sales vertical and spend that and build a stronger civil business. Because over there we have the opportunity, we have done the work, we have the credentials. Then I am just trying to get your perspective on how the business should operate.

J. Laxmana Rao: Both areas we are taking business development people but more in mechanical because the team is very small, only 2 people. So, we want to make it at least a 5-member team and the current civil team of 4 people, we want to make it to seven, American front-end person. We have already taken a bigger office in Atlanta, moving into it sometime in March-April and that will be able to house more than 10 people. Currently only 5-6 people are there. So, we are taking a bigger office and people will be joining there and a couple of guys will be going from India. So, we have decided to strengthen now because what we were doing in the last 5-6 years in MES, only a part of designing and concept design. Simulation, we really started 1.5-2 years ago. So today we have a team of 20 strong simulation engineers who are training again another 20-30 people. The unfortunate thing in this field is there are not many resources available in India with prior experience. You need to take a few people and from them you have to create the teams. That process is on now. So once that is on and multiple skill sets are created that is when business development growth is required. So, I think our timing is correct, already your thought is being implemented here and BD team will be strong by as early as end of March. We'll be doubling our sales team which will be able to make better utilization of the resources with the established credentials.

Moderator: The next question is from the line of Vinay Nadkarni from Hathaway Investments Pvt Ltd.

Vinay Nadkarni: Just wanted to know the order book position for CES and MES as of the end of last quarter.

J. Laxmana Rao: It's 3.2 million for civil and less than quarter million, about 250K for MES as on today, removing that held up project of almost 700K.

Vinay Nadkarni: Secondly on this new hiring that you have done approximately what is the cost of the employee cost there?

J. Laxmana Rao: Annual people you can easily calculate even at the entry level cost of around 25,000 almost 45 lakhs per month is the additional cost. They all joined sometime in June-July and training was going on in the 3rd Quarter more actively. So, July-August I think they joined, so the last 4 months their cost of salaries to the tune of 45 lakhs per month were added. In addition to these 173 trainees, we have taken at least 12 to 15 seniors whose cost will be something around 1.5 lakhs per month, with experience in different fields. So about 8 to 12 people I think we have taken. So that is another additional cost of about 15 lakhs per month. That is what has impacted the staff costs in this particular quarter and even BD will be 1 or 2 of them joined and other 3 people are ready to join most probably from March. So, there will be employee cost growth consistently for the next couple of quarters and the revenue flow also will start hopefully from Q1 onwards.

Vinay Nadkarni: The second question is in terms of EBITDA percentages for CES and for MES, can you give us a rough idea what would be a CES average EBITDA and what would be the MES average EBITDA per project? Rough estimate. More or less each project will be different.

J. Laxmana Rao: When they are both running at least 75% to 80% capacity utilization, their yields are similar. But if you want exactly the MES because of underutilization in this quarter, the EBITDA was much lower like somewhere around 13%-14% compared to 30% of civil in this 3rd Quarter. But for the entire year, if the capacity utilization is better like in the case of Q2, they will be somewhere close.

Vinay Nadkarni: So, between the two there is no EBITDA difference, as far as each project is concerned it really doesn't matter whether it's CES or MES will earn more or less the same EBITDA, is it?

J. Laxmana Rao: Yes, more or less same EBITDA provided capacity utilization is equal. In civil we are more strong because we have more than 200 clients. We have more than 200 clients. So, work would be keep coming from one company or other. Even if somebody is going slow there'll be somebody else who will be needing a project execution. But in the case of mechanical, only three or four Tier-I contractors we have and another seven or eight of them are Tier-II. That means they generals handle 100K to 150K kind of jobs. Tier-I projects are typically 300K to 800K or even up to 1 million. So, such bigger clients are only three in the case of mechanical whereas in civil such clients are at least 25 to 30 bigger clients. So there the traction, there the expectation or predictability is very high compared to mechanical. Now with these new credentials and extra efforts in BD we are also planning to have at least 10 strong clients in MES BIW field by this May and June.

Moderator: The next question is from the line of Abhi Jain from AJ Associates.

Abhi Jain: I had one question that I wanted to understand that since the last quarter update where you had said that you expect the next two quarters for MES to be in line with what they had been in terms of revenue growth of 50% odd, you were expecting FY24 to end at a top line growth about 20% to 25% odd, given that your CES will grow at about 10% and MES grows at 50% odd. But that has obviously changed because of this project being hung up. As an investor and a long-term shareholder, I just wanted to understand what is the steady state business? Because if the business per se is very volatile in terms of getting the projects or delivering the projects or sometimes project setting on hold, how do we understand what is a steady state business for you and how do you remove this volatility from the business, so that it becomes you yourself are able to give us guidance or you are able to project that the business will be in this shape and form 2 years or 3 years down the line? Because that I think is missing because suddenly there are spurts which are high growth then suddenly something happens and that crashes and then the guidance changes? So, I'm not able to understand what is a steady state of business and how are yourself seeing the business grow in the next 2 to 3 years that I wanted to understand from you?

J. Laxmana Rao: I agree with you. We could not stand what we have projected maybe a couple of quarters ago because at that time were flooded with work in MES and we expected similar trend will continue. That's why I predicted a growth of anywhere around 20%-25%. But now I limit my guidance to around 10% to 13%. Would be the overall annual growth of the revenues for this year. Because given one major project in MES being on hold, the guidance is certainly down. I admit that. But having said that the credentials and increasing the traction in MES by adding more number of clients through—as I explained in my several previous answers—we are adding multi skilling, we are adding software which will cover all the gamut of Tier-I contractor needs instead of only one or two domains, we are now adding the Delmia and other software domains and people are being trained on that. So, this will enable us to accept and able to execute more number of variety of projects, it is one. Additional people in different new segments like dice and wiring harness and press tools. This is another area of certainty addition we can see in future. So hopefully I don't want to make a guess for next year but certainly it will be not less than 10% but it can better than that provided any of our plans what I explained so far in terms of skills and additional BD people and the new senior people who joined start turning into revenue stream, we could see the growth again going back towards 20%. So, in this uncertainty I don't want to make a projection for 2-3 years. But I can only say that at 10% minimum revenue growth top line growth is certain because our civil side, I'm sure given our better traction and better ability to execute a project and also civil being almost 70%-75% of our revenues that will certainly grow at around 10% to 15% given ordinary economic situation in US. But if the situation worsens that could also come down a bit. But going forward I hope at least the interest rates remain static or might come down. In that scenario, the construction industry will go in a much faster grow in much faster pace and obviously we'll stand to gain from that. And coming to MES, as I said more software skills, wider skills, more domains we are entered and then investing in these two quarters this Q3 and Q4 should result in better predictable business growth in MES also.

Moderator: The next question is from the line of Akshay Sam from Sam Capital.

Akshay Sam: Just wanted to your views on the acquisition we planned in the architectural and structural segment so that we could expand the total addressable market and also help us to get better order book in the civil segment. So, I just want your view on that.

J. Laxmana Rao: As I said we are looking for companies which are active in structural planning preferably to start with in the east coast. We have conversations with at least four of them. Either the promoters are retiring, which is one of the reasons why we rejected such proposals because this is a credential-based industry. Nobody gives work to a new engineer starting services. They all look at what have you done before. It's like chicken and egg. So, we thought by acquiring a company we will be having them working for us for at least a period of 3 to 5 years. But so far, the proposals have come, they're all from retiring engineers. So, we are now moving to better M&A firms who will be able to arrange or bring in proposals where the promoters of the current companies also work with us for a minimum period of 5 years. Now currently one company we are in talks with very initial stage but certainly we'll be able to find that. And we have now decided to put extra effort through high-end M&A firms, who will be able to make the deals. As I been talking to you it's our endeavor to strike a deal in this financial year. But I see that happening before March is not possible but probably in this calendar year at least, we will certainly try to take a step in that direction. Otherwise, we have an alternative plan B but that will be again a slow process like recruiting PEs, we already have 2 Pes, add another 3-4 PEs in USA, start taking up smaller projects and build up the business traction. But that will be a long term. For big numbers to add it will take a couple of or at least 3-4 years. So, to cut short that is the acquisition plan. So as of today, we have only one firm we are in touch with which sounds like they have multiple PEs. And even if the senior person retires after a couple of years, we'll be having another 5-6 people left in their firm. So that firm is at a very initial phase as of today but actively we are pursuing that seriously. We are hoping something will happen in this calendar year.

Akshay Sam: My second question is on mostly the threat of artificial intelligence on some of the sectors in architecture in particular where you are seeing programs such as Dalle and Midjourney, that are revolutionizing the designs of buildings and threatening the industry as a whole. So, what do you think in the future, AI may affect some of the work we do in civil or you think we are kind of safe and away from that?

J. Laxmana Rao: Actually, it's a good question. In fact, I didn't disclose. We are already in touch with a couple of AI companies to see how AI and drones can be used in helping our fabrication and direction clients in terms of inspection especially in an 18th floor or 30th floor if the bolting or welding is done, current quality control measures are not really effective. So, drone based and AI based inspection taking photographs or videos in situ and providing that comments with quality control to the fabricator or director will be of immense help to our clients. So, we are in talks with a couple of companies who are making drones, who are also in AI and it is very initial phase again. Only the promoters are in touch with us. Now the technical people are also talking to us because for them also it's an opportunity and we want to have such tie up with. These are Indian companies I'm talking about, so we will be able to take them to US to the construction industry, make their introductions and we can also play a role in facilitating our clients through these drones and AI technologies which will help them in quality control. Coming to the detailing and these coming under AI, I doubt that because at least for the next 5 to 10 years I don't see the technology emerging. There's already a concept of API tools which we ourselves are building up now to improve our efficiencies and quality checks by API tools which are also some kind of AI. It is not directly AI related but it is tool driven. But the tool has to be built up as per the standards of each and every client. So, AI cannot be a solution unless everybody in the US follows the same standards. The government standards are for only safety concerns, but every SAP company adopts its own standards. In that point you want to add anything? Different people have different standards. Nobody follows one single.

Management: Yes, every fabricator has their own systems and standards and particularly on the AI domain, mainly they call VDC the virtual construction teams. Those are the architectural firms and the

VDC firms which are offering. We are in touch with them at a preliminary stage where we would like to provide add those skill sets with our existing team in terms of applying the technology to our existing line of services.

Moderator: We'll take the next question from the line of Prolin Nandu, an individual investor.

Prolin Nandu: My question is to understand a little bit about your civil detailing part. Now what I understand within that is there is one subsegment which is normal detailing which earns you certain dollars per hour in terms of manpower. Then there is this whole connection detailing which we do which we earn higher dollar per hour. Then in the last quarter conference call you also mentioned that you are getting into prefabrication. So wanted to understand where that stands in terms of dollar per hour. Given the fact that even if let's say the core industry, construction industry is not growing since outsourcing to India is very small part of the overall industry, 5% if I'm not wrong. So, given the fact that outsourcing is such a small part why can't we grow at a substantial pace at least 15%-20% without even thinking about the industry growth? Given that there is surely a cost arbitrage between doing work in us and doing work India. So, can you help me understand as to how should one look at various subsegments within the civil part in terms of their capability of earning revenue? As we add more and more capabilities within the civil can the growth be higher? Because outsourcing and then us gaining market share should be a far more stronger force than the underlying industry growth.

J. Laxmana Rao: Mr. Nandu the field of structural detailing is emerging now and as India is becoming one of the credible sources for American construction industry to try. Actually, if you notice for last couple of years, there is no growth in construction industry in USA. And we grew more than 10% last year and we are aiming to reach at least 9% to 10% growth in civil detailing this year also. So, this growth is coming from more and more outsourcing being preferred by contractors and fabricators because they're now experiencing that India and their engineers are capable of giving a good quality. So, the point here is when the industry is overall not doing well in US, we are able to grow about 10%. But if the industry also starts picking up a pace of at least 5% to 7% there we can easily reach the 15% to 20% bracket. That is one. Second a reason why we can't simply grow double or triple our team is quality suffers. There's a huge back-charging concept in civil. In fact, if you go through our history when we started the high-rise buildings construction detailing in the year 2010 to ‘11 onwards, in the first 5-6 years we suffered lot of back charges to the tune of about $300,000 to $500,000 a year. So currently it is below 100K or maybe below 50K. So that is the kind of quality and command our team has now achieved and this is when we can really pitch in for bigger projects and try for 15% to 20% growth as you correctly said. This is a kind of industry where the cost of detailing which is hardly 1% to 2% of the overall project, they don't mind spending more money for quality sake and timeliness. So, they are very slow in subcontracting more and more work outside the US because they feel a local presence, a local engineer understands the standards better than an engineer in Asia or in some other Middle east or somewhere. So, their credentials they don't risk to save the money for the cost of the project itself. But with our credentials being now well established we are also now aiming with more number of trainees to cope up. And our training systems have also become very solid in civil especially, we have a strong team and API tools also been developed which will automize some part of the detailing for better productivity. So, with these tools, yes as you correctly said we will be aiming at 15% to 20% growth rate. Then comes the catch of establishing and developing number of engineers. Your ability to teach the American standards and pick them up to the pace of quality is very challenging and most of the guys in the engineering sector now want to work in IT or in AI and these domains. So, finding good quality engineers and trying them to come up to the standards of American construction industry which is still following a PA system that is feet pound second compared to our metric system. That itself is a major learning British system they still follow in the American construction industry alone. So that is the kind of challenge. But we are now all set for better growth once the US construction industry also turns around aiming at 15% to 20% is possible.

Prolin Nandu: Just that the additional question on within civil we had detailing, we had that connector design and then prefabrication. So are we also by adding all these adding more and more capabilities, increasing the target market and all these will come at an incremental revenue per employee or margin?

J. Laxmana Rao: Certainly, correction design is a much higher margin. We operate correction design in the field of $30 to $40 to $50 an hour. If we go into member design that is called structural design where we are trying through an acquisition we can even, of course it is $120 to $200, $50 to $80 pricing we can achieve. But as I said last time, if the person is required. Here we are looking for an acquisition to help us. Once that happens our numbers will go much better at EBITDA level also.

Moderator: The next question is from the line of Ganesh, an individual investor.

Ganesh: So recently I saw a China crisis, there was a slump in sales for the project which are venturing in China. So how does that affect your company?

J. Laxmana Rao: No, we have nothing to do with Chinese market, neither in MES nor in civil any impact.

Ganesh: So, the geography will affect India will also have an impact on this. So, I just want to understand is there any impact for the Mold-Tek company?

J. Laxmana Rao: No, their activity because Chinese are not neither active in using the American standards, nor they are doing any outsourcing work in a big way. In fact, nobody in structural detailing I know is doing any outsourcing to China in a big way. Even countries like Kuala Lumpur, KL that is Malaysia and Philippines are more active in retailing than China. China as such has no meaningful impact.

Moderator: The next question is from the line of Nirvana Laha, an individual investor.

Nirvana Laha: So, on the acquisition side, can you once again help us understand how exactly the business profile on the civil side will change once we make the acquisition? And by that, I mean currently the work that you're doing, what will you add in terms of capability and therefore what will the billing rates become? You have already touched upon it but in some more retail and what kind of EBITDA can we earn therefore from that acquisition? And one more question was once we acquire, do you think that Indian hires because you're already highlighting challenges with training them up to a level for connection design, so if we get into more advanced work, will we have the labor cost arbitrage or will we need to hire more from USA?

J. Laxmana Rao: What I will explain to you the construction industry strata by strata. One is the highest authority followed by the general contractor who builds the project and he appoints an architecture, engineer, EOR that engineer on record and a structural engineering firm. Sometimes architects also design in tandem with structural engineering firm. Together they offer these services to GEs. Then these GCs find a fabricator who makes the steel. Because all construction in US is steel other than the foundation, until foundation is concrete, from then it is steel. So, the entire steel is fabricated in fab shops and erected in the site using cranes welding bolting and everything. So, we are at the bottommost layer of detailing for the fabricator. So, we deal with fabricator. Fabricator in turn deals with a structural engineer, structural engineer and architect together deal with the GC. Very rarely do we get to talk to GCs because architects and structural engineers clarify all our RFI. It's just for information. So, we are in touch with structural engineers and architects to some extent. But a fabricator arranges all these clarifications. So sometimes the majority of the deals end up with the fabricator who is #2 from the bottom of the ladder. So, the #3 layer is structural engineering. That is where the member designs, the real safety of the building is assured and tested by various structural engineering methods that are available. So that is a very high value and highly respected next to the general contractor. We can never be a general contractor unless we start building up buildings in US. That is not our goal. But we can be an architectural firm, we can be a structural engineering firm or we can have a front ending architectural firm as our partner and build up the Indian resources for cost arbitrage. Coming to the cost arbitrage, it will be much higher cost arbitrage for us to get into architectural, structural engineering rather than detailing. Because it is at the bottom of the construction pyramid, the cost and cost arbitrage also are lesser than structural engineering. If you go to structural engineering, the pricing can be \$120 to \$200 per hour for a structural engineering work which can easily be outsourced to India at even \$50 to \$80 with much higher EBITDA because our structural engineering will not cost us more than 30%-40% than our resource of detailing. What you need is MTech structures instead of BTech structures. So, if a BTech structures guy joins at 25,000, a MTech structures guy is available at Rs. 35,000-40,000. So that delta is very nominal. But what pricing we can get is almost if not double 50% to 60%-70% more. So, the cost arbitrage EBITDA margins will shoot up once we establish in the structural engineering domain. That is why we are actually looking at that acquisition because our name is now known in the construction industry. And by adding the front ending of an American firm together with Mold-Tek there will be a respect from GCs to outsource that work to us. And catching up these MTech candidates here and training them up as you said is also a challenge. But already we are doing in the connection design front with MTech structural engineers, team of 15-20 people are already there, so they can easily catch up on the member design given some training.

Moderator: Thank you, sir. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you sir.

J. Laxmana Rao: Thank you very much for all the participants to actively participate in our quarterly review quarterly result. I also thank Aantique especially Mr. Jenish for his time and arranging this call. Thanks, operator, for coordinating the entire proceedings. I wish you all a very happy Valentine's Day and also great evening today. Good day. Bye.

Moderator: Thank you, members of the management. Ladies and gentlemen on behalf of Antique Stockbroking that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.