

Date : 13.11.2025

Place: Hyderabad

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai - 400 001	<b>The National Stock Exchange of India Limited</b> BandrakKurla Complex, Bandra East Mumbai - 400 051
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Dear Sir/Madam,

Sub: Transcript of the Q2 FY26 Results conference call hosted on 10<sup>th</sup> November, 2025 - Reg.  
BSE Scrip code: 513228 / NSE Symbol: PENIND

Dear Sirs,

Pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our Results conference call intimation dated 1<sup>st</sup> November, 2025, please be informed that the Results conference call for Q2 FY26 was hosted on 10<sup>th</sup> November, 2025 and the Transcript of the conference call is enclosed for information and record.

The same will be made available on the Company's website viz., [www.pennarindia.com](http://www.pennarindia.com).

Thanking you,

Yours faithfully,

**for Pennar Industries Limited**

**Mirza Mohammed Ali Baig**  
**Company Secretary & Compliance Officer**  
**ACS 29058**

## **PENNAR INDUSTRIES LIMITED**

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## “Pennar Industries Limited Q2 FY '26 Earnings Conference Call”

**November 10, 2025**



**MANAGEMENT:** **MR. ADITYA RAO – VICE CHAIRMAN & MANAGING  
DIRECTOR, PENNAR INDUSTRIES LIMITED**  
**MR. SHRIKANT BHAKKAD – CHIEF FINANCIAL  
OFFICER, PENNAR INDUSTRIES LIMITED**  
**MR. MANOJ CHERUKURI – VICE PRESIDENT  
(CORPORATE PLANNING), PENNAR INDUSTRIES  
LIMITED**  
**MR. K.M. SUNIL – VICE PRESIDENT, INVESTOR AND  
MEDIA RELATIONS – PENNAR INDUSTRIES LIMITED**

**MODERATOR:** **MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL  
(INDIA) PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Q2 FY '26 Earning Conference Call for Pennar Industries Limited.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 this 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 Vikram Suryavanshi from PhillipCapital. Thank you, and over to you, sir.

**Vikram Suryavanshi:** Thank you, Hina. Good morning and very warm welcome to everyone. Thank you for being on the call of Pennar Industries Limited.

We are happy to have the Management of Pennar Industries here today for question-and-answer session with the investment community. The management is represented by Mr. Aditya Rao – Vice Chairman and Managing Director, Mr. Shrikant Bhakkad – Chief Financial Officer, Mr. Manoj – Vice President (Corporate Planning), and K. M. Sunil – Vice President (Investor and Media Relations).

Before we start with the question-and-answer session, we will have opening comments from the management. Now I hand over call to Mr. Aditya for opening comments. Over to you, sir.

**Aditya Rao:** Thank you. Good morning and thank you for joining us for Pennar Industries Q2 FY '26 Investor Conference Call. This is for the quarter ended September 30th, 2026. We are delighted to have this opportunity to share our recent performance and also provide an update on the strategic direction driving our continued growth.

As an overview of our agenda:

We will begin with an overview of our Quarter 2 Results. We will highlight key metrics, including revenue, PAT, working capital, and our primary growth engines. Following this, our CFO – Mr. Shrikant Bhakkad, will provide a detailed financial review. We will then move into a Q&A session to engage with you and all of your questions.

So, performance snapshot for the 2nd Quarter, we are pleased to report we had strong growth this quarter. Revenue rose by 22.04% to Rs. 919.6 crores. And our PAT grew by 20.13% to Rs. 32.28 crores. This reflects our continued momentum across many of our growth vectors. And we are quite happy with what we have generated this year, this quarter.

Key revenue growth drivers in the PEB division, despite our earlier labor supply constraint, which briefly impacted our margin delivery in this quarter, and something I had alluded to in our last conference call, the division delivered solid double-digit revenue growth. With these issues now fully addressed, we are well positioned for a very strong Q3 backed by improved capacity utilization.

Ascent, our U.S. subsidiary, has delivered strong double-digit growth in both revenue and profitability. The order backlog also has expanded to US\$51 million, setting a stage for sustained double-digit growth in revenue and PBT through the remainder of the fiscal year. The acquisition of Telco also puts us in a very good spot for sustained revenue growth in this business. And we expect to see this filtering in the next few months.

For our Body in white division, we secured significant new orders from Hyundai, TIVOLT, Ashok Leland and Stellantis. Capacity expansions are coming online in the coming quarters. Expect this business to robustly contribute to our revenue and an upgraded growth outlook.

Engineering services, our structural engineering business continue to perform very strongly. BIM growth, Building Information Modeling was a little more modest. So, we have strengthened our sales and business development teams in the U.S. to support further expansion. Again, we expect healthy double-digit growth in revenue and PBT for this revenue stream.

Hydraulics, the order backlog has increased as of October 2025, despite global headwinds as U.S. sanctions, which impact not a lot of revenue, about 2% of our revenue. However, we are proactively expanding our presence in domestic and European markets, especially in Germany. And this segment, while modest in revenue contribution, remains on a stable path. And we have identified this as a key revenue growth vector. Minimal impact for the next few quarters, but over the medium term, they should add a lot to our revenue and profitability.

Boilers and process equipment saw a significant rise in order backlog. We are now at Rs. 126 crores. With strong execution plans in place, we are very certain of robust revenue growth in Q3 and Q4 also. That makes this a major growth lever for the rest of the year for us. So, for the next two quarters, this will be a key driver.

Profitability and margins, our Q2 PAT margins stood at 3.56%, slightly muted as the revenue mix continues to shift towards higher-margin businesses. We expect this positive trajectory to get better. Our capital efficiency ROCE is at 21.7%, and return on equity is at 12.2%. Again, confident of advancing these returns over the next few quarters.

Working capital days are 76 days. Timing related impacts primarily because of some of the issues that we had mentioned. Lower than expected revenue in certain divisions as well. Stronger Q3 projections, especially in PEB and other key segments as we have a full quarter of the issues that prevented full execution from impacting us should result in notable improvement in capital efficiency.

This concludes my performance overview for Quarter 2. I will now hand over to our CFO, Mr. Shrikant, who will walk you through the detailed financials. Thanks again for your continued interest and support.

**Shrikant Bhakkad:**

Thanks, Aditya. Welcome to the shareholders and investors for the 2nd Quarter FY '26 Earnings Call.

Total revenue was Rs. 906.56 crores from Rs. 747.61 crores, up by Rs. 158.94 crores, which is 21.26%. EBITDA has increased from Rs. 81.18 crores to Rs. 94.43 crores. PBT has increased from Rs. 36.05 crores to Rs. 40.94 crores. PAT has increased from Rs. 26.87 crores to Rs. 32.28 crores.

Explaining you the details of it, revenue from our Custom Designed Building Solutions has increased by 31.9% from Rs. 353.13 crores to Rs. 456.72 crores. The increase is predominantly on account of our capacity additions at Raebareli unit, which has become functional and also started raising growth. And also in the U.S., there is an increase in the building capacity that we had because of the combination of the India revenue and as well as the U.S. revenue has grown, the overall PEB sector, which is a custom designed building solution, has grown by 31.9%.

Revenue from our diversified engineering continued growth with a modest growth of Rs. 468.26 crores and the overall 12.47%. PEB India order book as well as the PEB U.S. order book are healthy.

The other income includes predominantly on account of exchange fluctuations, income from mutual funds, road tap incentives and collections of owed receivables, which we have written back in the past.

Employee benefits has increased by Rs. 14.93 crores in overall and in standalone by Rs. 1.8 crores and predominantly on account of subsidiaries by Rs. 13.02 crores.

Overall, our finance cost has increased by Rs. 6.42 crores, in standalone 7.23 crores, and in subsidiaries, it is reduced by Rs. 0.8 crores. The increase is on account of additional revenue and the increase in the CAPEX that we had during the current year. The overall finance cost as a percentage of revenue is at 3.76% as against our plan of 4%. We have guided to 4%. And we are within the range bound.

If you get into details, the working capital has slightly increased, and we are hard at work to get this back on track. So, with the efforts that we will additionally be putting in, we will see the working capital improved. We have also had increased slightly on account of Telco acquisition that we had carried out during the current year and due to which the increase in the long-term borrowings. When I explain the balance sheet, I will explain you with more details.

In terms of depreciation and amortization, the overall increase is Rs. 1.94 crores at a consolidated level. Standalone, it is at 1.81 crores and subsidiaries Rs. 0.13 crores. The other expenses are

predominantly increased at consolidated level by Rs. 27.38 crores, in standalone by Rs. 13.74 crores and in subsidiaries by Rs. 14.13 crores.

In standalone, the increase is because of the certain things that we have alluded in the last quarter on account of the higher wage settlements that we had and the higher contractor expenses that we had. That is one of our reason for the gap in the margin. With the combination, now that the labor force is deployed and with our increase in revenue, we are confident that we will be able to jump back in terms of our profitability and margins in the coming quarters.

Tax is lower due to the credit that we have received on closing some of the assessments in the earlier years. We continue to get to consider the consolidated rate of 25% to 26%. Overall, revenue has increased in majority of our business, which is PEB India, as well as the PEB US, and our geography in India and US. Due to the increased revenue, there is a corresponding increase in PBT and the PBT margins for the quarter.

As this is a balance sheet quarter, I will just roughly touched upon certain balance sheet points during the quarter. Changes in assets are on account of increase in PEB by 102.54 crores, an increase in CDBS by Rs. 72 crores, inventories by Rs. 55 crores and debtors by Rs. 107 crores. Overall, there has been an increase in terms of the long-term assets as well as the working capital add to that we have. And there is a decrease, slightly, in terms of cash and cash equivalents and other remaining assets.

Drilling you down on each of these numbers, PEB increase predominantly has come in our subsidiaries, which is Rs. 118.04 crores. That is predominantly on account of Telco acquisition, which we had. Now we have the Telco results, which have been consolidated in our present results. And the comparative numbers between the last year and this year looks different on account of this acquisition. The increase in majority comes in buildings by Rs. 48.69 crores and plant and machinery by Rs. 71.82 crores, which is on account of acquisition. CDBS continues to grow with our expansion that we are doing at Sadashivpet, Chennai and Tarapur.

Inventory has increased by Rs. 46.22 crores. In standalone, this is increased on order backlog increase and on account of increase in revenue that we had during the current year. Debtors has increased also on account of the growth that we had in the last quarter on account of increase in revenues. Overall number of days wise, we are higher by two days than usual. We are hard at work to get some of this old stuff collected at the earliest.

Investment increase is on account of increase in the JV investment that we have carried out for the plan that we have alluded earlier. Cash and cash equivalents, there is no change.

Coming to other current assets:

The overall increase is Rs. 48.96 crores. This is on account of certain investments that we are doing for our BIW projects, for our upcoming TIVOLT as well as our Hyundai projects. And

we have given certain advances to the vendors. Hence, there is an increase in terms of other non-current assets.

Coming to liabilities:

Change in liabilities are on account of increase in borrowings by Rs. 185.1 crores and increase in trade payables by Rs. 77 crores. The long-term liabilities from banks and NBFCs have increased by Rs. 41.37 crores. This is predominantly increase at subsidiaries, and that is also on account of the long-term debt that we have taken in our subsidiaries amounting to Rs. 62.057 crores. And this is offset by a decrease in standalone entities where we had a repayment of Rs. 20.7 crores for the quarter.

So, overall, long-term liabilities with the combination of Telco increase, there is an increase. Otherwise, overall, there is a decrease that we had.

Short-term borrowings have increased in standalone, as well as in our subsidiary balance sheet. The predominant increase in standalone is because of the higher revenue that we had and the growth plan that we have intended to carry out.

And in terms of subsidiaries, because of the acquisition that we had carried out and because of the working capital which has got transferred, there is an increase in terms of the short-term loan. Increase trade payables in standalone as well as consolidated.

Overall, the equity has increased by Rs. 71.36 crores, and we are happy to inform you that equity and reserve surplus has crossed off the Rs. 1,000 crores mark as of September 30, 2025.

In terms of free cash flows, we had a good continued free cash flow, the amount of Rs. 119.47 crores, and this is including the working capital changes that we had. And the amount used in the net investing activities is Rs. 212.22 crores. That is on account of acquisition of Telco as we have alluded and the capital advances that we have given. The amount from this has been used for financing activities, which is for short-term and long-term borrowings that I have explained earlier.

With this, I conclude my presentation on the financial and balance sheet aspects segment, as well as the cash flow. We are happy to hand over back to the room and for the investor community for their questions and answers.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shubhankar Gupta from Equitree Capital. Please go ahead.

**Shubhankar Gupta:** So, first question is that, so I am not sure, but I think Shrikant said that the growth for PEB has been around 5% to 10% percent. Am I right?

**Shrikant Bhakkad:** No, 30%.

**Shubhankar Gupta:** 30%. And PEB division is what, 50% of the business? That's correct.

**Shrikant Bhakkad:** Could you say it again?

**Shubhankar Gupta:** So, I am saying that PEB is roughly 50% of the business, right? Roughly 48% to 50%.

**Shrikant Bhakkad:** About 45% from our revenue standpoint, yes.

**Shubhankar Gupta:** Okay, 45%. And overall, the sales have grown by around 22%, right? So, that would mean 45 into 30%, which is around 13%, 14%, 15%. And remaining is the growth from other sectors, which means the other segments are not growing as well. Is my understanding lacking there?

**Shrikant Bhakkad:** I think your voice is a little muffled, but if I can understand, what you said is, you took the 40%-45% revenue run rate and you multiplied the PAT growth with that, and then said that the PAT growth which came from PEB is about 12%. Yes, I think that is an assumption you can make, but for us, we don't necessarily provide segmental revenue breakup in that sense, down to PBT. But yes, it is not an unfair assessment, but obviously the actual numbers, there may be moderate variations on what you said, but that is the general trend, yes.

**Shubhankar Gupta:** Aditya, and also, like, so there are players, right? And now we have listed players who are revealing numbers for multiple segments as well. So, I am not clear on why don't we reveal the same. Like, is there a specific reason as to why we don't do that?

**Aditya Rao:** Could you say that again, sir? Your voice was muffled. Your question, you said there are listed players who are, I mean, our competitors.

**Shubhankar Gupta:** Who are giving the segmental, yes. For example, let's say Interarch or EPack Prefab, they have multiple segments as well. So, they are revealing all segmental splits. So, I am not clear as to why we don't reveal the same.

**Aditya Rao:** That is a good point. So, Interarch's primary revenue stream, to my knowledge, is PEB. They may have other moderate segments which contribute a much lower percentage. But if you look at Pennar, yes, the 45% of our revenue is that. And even those brands, like our PEB business itself is PEBS in India, Ascent and Telco now. So, there are three revenue streams, three brands that we operate.

Now, as it stands, all three brands are very well focused and we are on growth and all of them have had capacity expansion come in. So, the next few quarters, all three of them would do well. But if we were to go to the extent of providing the breakup from a segmental point of view, we would need to break our revenue and P&L into many more components than we traditionally have done.

So, while this is something we are exploring, we need to find a better way to do it rather than give you PEB, give you, let's say, boilers and give you process equipment and engineering



separately. So, we need to combine into boxes which are not more than two or three boxes. We are working on how we could provide that, but I do get what you are saying that 45% merits separating it out. We will discuss this internally and get back to you.

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

**Deepak Poddar:** So, first, I just wanted to understand, I mean, last quarter, I think we had some subsidiary, some acquisition-related, cost-related, around Rs. 11 crores, right, Telco-related.

**Aditya Rao:** Yes.

**Deepak Poddar:** So, has that gone away in this quarter or was there some impact this quarter as well?

**Aditya Rao:** There was a substantial impact of that acquisition cost. It straddled two quarters. So, the reason perhaps for some of our muted margins are these extraordinary costs that came in, both in Q2 and also there is a little bit in Q1 as well. It is a substantial acquisition. And as Shrikant said, our total capital was about Rs. 200 crores.

Now, the rationale for making it is sound. And since the acquisition, our order backlogs have also expanded massively. But it is all over now. There is no tailwind or there is no other acquisition cost to be taken into account. It's all been completely accounted for in Q2.

**Deepak Poddar:** How much was that? Can you quantify that?

**Aditya Rao:** We will try to get you an overall thing, but it included things such as the cost of the investment banking fees and other charges which are there, getting the employees in preoperative. So, the substantial amount of non-rendered generating costs that came in in the P&L. We will get you that number. Right now, I don't have it.

**Deepak Poddar:** Last quarter, I think the similar cost was around Rs. 11 crores, right? That you mentioned in the last call, that legal cost and all, etc. was around close to Rs. 11 crores in the 2nd Quarter.

**Aditya Rao:** Overall, other costs for that. I wouldn't believe it is exactly to that extent, but we will give you a break-up. We will prepare the break-up and make sure to share with all of our investors.

**Deepak Poddar:** So, from this third quarter onwards, you don't expect such costs to come, right? Would that be a fair assumption?

**Aditya Rao:** That is a fair assumption from third quarter onwards. So, the story that we have always had is that we have always had this margin expansion for the last four years. And that is something we have stated as something that is a key metric for us that we continue to perform on. So, this quarter, not a massive amount, but we did have a, in our PAT margin, 3.59 to 3.56 along those lines. So, about a 3 basis point decline.

Now, we want to go in the other direction. So, these extraordinary costs, a little bit of other issues as well that we were resolving during the quarter. I had spoken to our labor issues that we have had. All of that got resolved in this quarter. So, we took a little bit of a hit there, but all of that goes away in Q3. In Q3, you shouldn't expect to see any of these acquisition costs or any other significant other expenses.

**Deepak Poddar:** So, this labor and along with this acquisition, I think your reported PAT margin was close to 3.6%, right?

**Aditya Rao:** That is correct.

**Deepak Poddar:** So, what was the basis point impact you mentioned? I missed that because of all this. The labor shortage or the acquisition cost impact.

**Aditya Rao:** Those were some of the reasons. I mean, it is a more diverse. I may be oversimplifying to say that those two are the reasons. But overall, these one-time expenditures have brought the profit margin down a little bit. Whereas our stated intent and our commitment to you is that we continue to grow margins quarter-on-quarter consistently, which is what we have done over the last four years. So, it is what we had in this quarter, but we are quite confident that come Q3, we get back to PAT growth, percentage growth. Not just value growth, but also percentage growth.

**Deepak Poddar:** So, any aspiration? I mean, will it be possible to quantify any aspiration in terms of your margins, PAT margin, I mean, by fourth quarter or by next year, where we want to see ourselves?

**Aditya Rao:** My team and I will commit to both the value of PAT and the margin growing in Q3. That is something we have packaged in now. The exact value would be a forecast and we don't really provide those. So, my apologies.

**Deepak Poddar:** And just one last thing from my side, in terms of growth, I mean, if you have to see growth over next two, three years, what sort of CAGR we might be looking at?

**Aditya Rao:** So, what I can speak to is not a forecast for this year, but we are very confident of double-digit growth in revenue and profitability, as always said. If we can make that title, because double-digit is all the way from 11 to 99, or 10 to 99, right? So, in order to give a little bit more clarity, I think we are upgrading our internally, we are discussing with the Board as well how we can make that a little bit cleaner.

From my side, I think what we can commit to is that a floor of 20% is what you can expect. That is what we have discussed at the Board that we would want to communicate to our investors. On a profit basis, we are quite confident that that we will be able to bring in sustainably over quarter-on-quarter for the next few years.

**Deepak Poddar:** A 20% profitability growth, is that what we might be looking at, minimum?

- Aditya Rao:** That is correct. PAT growth, yes. And obviously, the major vector to do that is revenue growth and margin expansion.
- Deepak Poddar:** Absolutely. I got it. I mean, that is very helpful, sir.
- Moderator:** The next question comes from the line of Harsh Shah from Seven Rivers Holding. Please go ahead.
- Harsh Shah:** Sir, just wanted to understand that the 35% growth in PEBS is after including the Telco acquisition, right?
- Aditya Rao:** No, the Telco acquisition, we had no revenue recorded in that quarter. We completed the acquisition, but Shrikant, perhaps you want to expand on that.
- Shrikant Bhakkad:** Overall, the increase in the revenue that we had is on account of predominantly the India business, PEB India business and PEB U.S. business. PEB Telco acquisition has been completed and the addition is just last 2-3 days kind of a thing is that included.
- Overall, if you see, it does not significantly change the numbers on account of Telco. Telco acquisition and the revenue we will start seeing from the next quarter. So, the flip side of it is Q3 full quarter, we will have Telco.
- Aditya Rao:** Yes.
- Harsh Shah:** Sir, Telco you said the annual revenue run rate is to the tune of Rs. 45 crores.
- Aditya Rao:** Could you say that again, please?
- Harsh Shah:** So, earlier you had alluded a certain amount of revenue that Telco does. What was that figure? Somewhere around Rs. 44-45 crores?
- Aditya Rao:** Annually? No, it will be way more than that.
- Harsh Shah:** For Telco?
- Aditya Rao:** No, no, it will be much more than that annually. Conservatively, you can take over Rs. 100 crores per annum from Telco, just from Telco.
- Harsh Shah:** And what was the acquisition price, the consideration that you paid for this?
- Aditya Rao:** It was about \$14 million including at an enterprise value.
- Harsh Shah:** And sir, this quarter, our gross margins were off by 2%. So, any one-offs or anything you would like to clarify on that bit and what should we take this number going forward?

**Aditya Rao:** So, which margins did you say are off?

**Harsh Shah:** Gross margins excluding the other income.

**Aditya Rao:** Yes, so gross margins are off by that amount. It was a mixture of factors. Primarily, I think, as I mentioned in the last conference call, the labor issue that we had solved, but we solved it late in the quarter, so some of that got packaged in. We did have to increase our labor costs. We typically depend on a fair amount of contract labor and a variety of factors concluded to make sure that we did not have the labor supply we needed. We have not solved for it, but some of the quarter got caught up in it. And we are sure that these are not recurring costs. So, on operating margin point of view, as with our PAT margin, we will be back to growth from Q3.

**Harsh Shah:** Sir, when you speak about labor issues, did we overpay the labor to get the work done or did the revenue not come through in this quarter because there was labor shortage and these revenues will come in, say, later quarters?

**Aditya Rao:** You are correct in that there is an increase in some of our variable costing. The tune is, maybe a little bit of detail would help. We have had to increase our labor cost by about Rs. 500 per ton.

Now from a basis point, operating margin point of view, that is about 0.4% of operating margin potentially getting reduced if it applies across the board. It is a little more nuance in there. It doesn't apply across the board, but it is more than 50%. So, the overall impact on our margins per se might seem substantial at 30-40 basis points.

However, because we are able to bring this in, we are now also upgrading our revenue a fair amount, right, for all three of our PEB brands, which is PEBS in India, Ascent and Telco, all three are going to scale up quite strongly. So, combating that perhaps substantial increase in operating cost is scale effects and a much larger revenue. So, yes, on operating margin, which is gross margin contribution, but by the time we come back to EBITDA, it is a huge positive.

So, yes, the answer is yes. Short answer is yes. Longer answer, it won't matter. It is actually a huge positive for us because it is not an extremely large increase. And what is fighting it is better operating leverage. And frankly, the scale impact, even if our gross margin didn't increase or change by much, just what falls down to EBITDA and PBDT is much more from a number point of view and because the fixed cost is getting rationalized on a larger revenue base. So, overall, you will continue to see margin increases in all three of our revenue streams indeed.

**Harsh Shah:** And sir, because of these labor issues, did we lose out on any contract because, I mean, perhaps by nature is a very time-sensitive project. So, did we lose out on any project? Because a lot of our competitors did very good numbers in India. Anything on that front?

**Aditya Rao:** I think in U.S., no. I think our order backlogs are grown. India also order backlogs are grown. Our India order book now stands at around Rs. 880 crores and we expect it to hit Rs. 900 crores by December and cross Rs. 1,000 crores in the next few months. So, not getting impacted from

a customer point of view, we are able to go and get orders as we see, as we need to. And filling up the additional capacity will make sure that there is no challenge over there.

But yes, let's say our capacity utilization is at 70% and we need to get to 80%. And these are not exact numbers. I am just giving you more of an illustration. Then reduction does result in lower revenue, which we did see in Q2 and Q3. We would have had, our growth would have been even higher except for those concerns. And that obviously results in some amount of delay perhaps.

So, we are quite sure that it won't impact on the medium term. But short term, yes, there has been some impact in terms of our ability to grow and scale, what we had alluded to. It just took us a little bit longer because of the unique nature by which we have our labor. Most of it is contract, so that affected us a little bit. We have since formed strong solutions to that.

We also invested a lot in automation as well. That is the other side of this. So, the major bottlenecks, which include end plate fitment and surface treatment, shot blasting and painting, all of those, there has been a heavy amount of automation that has been brought in, along with other capacity increases as well.

So, I am confident that this issue is behind us. And with the strong order book, marry that with this, and Q3, Q4 should be very good quarters for us, from a pre-engineered building point of view, and frankly, from other businesses as well.

**Harsh Shah:**

So, just stepping a couple of quarters back, when we had mentioned that the focus will be on the core business while the legacy business will keep on coming off. And the legacy business is typically a single-digit EBITDA margin while our core business has much higher margins. So, as we go forward, do we still think that we can end Q4 at substantially higher margins? I mean, somewhere around 12%-12.5% excluding the other income, of course?

**Moderator:**

Mr. Harsh Shah, sorry to interrupt. You have to return to the question queue for follow-up.

**Harsh Shah:**

Yes, the question has already been asked. If you can just allow them to answer this one. The question has already been asked.

**Aditya Rao:**

To the moderator, ma'am, I understand. Please do. Let's set a limit of two questions per caller. But as those questions have been asked, let's go ahead and answer it because I think it is important. And post that, Shahji, thank you for your question.

With regards to margin expansion, as I had mentioned, it is a simple equation. As our scale increases and the scale comes in higher in the prioritized business units. I am speaking not just of our pre-engineered buildings, but also our Body in white business, our engineering services vertical, all of which have margins. Margin expansion is something that will happen.

And as I mentioned previously, this is a trend that has been visible from the last three or four years, where we have doubled our PAT margins in the last 2.5 years. So, continued increase on

that will definitely is something as a team that we sign up on, and we will tell you that will happen.

As to the older businesses, just like we have done with solar, where we have created a joint venture, we want to find ways where we realize value out of these, shall we say, our legacy business units. They are still strong in revenue. They are still profitable. I think they are to find good ways for the company to realize value.

What we have done with solar can be done with other business units. From time to time, we will be able to give you clarity on how we intend to achieve that. And we are working on it. And we are quite confident that over the next quarter or two, we give you a lot of clarity on this.

So, they will fall away from our revenue, yes. But overall revenue and profitability for Pennar, we are extremely confident that we will continue to grow and scale. And the margin picture will continue to improve. Our modeling is quite strong on that.

**Moderator:** The next question comes from the line of Rahul Kumar from Vaikarya Funds. Please go ahead.

**Rahul Kumar:** So, just on the U.S. PEB segment, Shrikant, if you can answer, the gross margins and the EBITDA margins have declined. So, what drove that and what would be the outlook over there?

**Shrikant Bhakkad:** I think what we have alluded to it earlier and explained it in detail, the margins have fallen predominantly on account of labor increase cost that we had. This increase has impacted our margins. And now that this problem is solved, we will have expansion in margins in the coming quarters. Does that answer your question?

**Rahul Kumar:** Actually, I was asking for the U.S. PEB segment.

**Aditya Rao:** So, I think our U.S. PEB segment incorporates a gross margin of about 30%, but it can fall as low as 28% and go up as low as 32%. Rather than a commodity price issue, that is more because of the nature of the jobs that we are executing, if the secondary to primary ratio moves around a little bit.

So, think of it as a range bound 28% to 34%. But I do want to say that while that looks on paper like a massive swing, when you get to the EBITDA and the PAT margins, that is remarkably stable. So, that is something that we are quite confident of being able to retain.

I would say, and Shrikant, I request you to elaborate on this, but we are not seeing any decline in margins. If anything, I think we will do better from a PAT margin and a PBT margin point of view in our U.S. business, specifically for Ascent and Telco.

**Rahul Kumar:** Thanks for that. No, actually, I think for this particular quarter, I think what I see is there is some compression in the margins. I just wanted to understand what actually drove this.

**Aditya Rao:**

So, I think from an overall operating margin point to the gross margin, as I mentioned, instead of our usual 30-32, we would have seen 29 approximately. Not something we are very concerned about. I would strongly guide you to look at our Ascent and our PGI margins on, do look at it on an EBIT or a PBT basis or maybe even a PBTT basis. That is what we monitor and we tend to fill up our order backlog accounting for that.

So, in that perspective, the 200-basis point move that you alluded to, these are natural swings that happen based on the nature of the jobs that we are undertaking. But what we are quite confident of is that at the EBITDA level and at the PBT level, you will not see that happen.

I do understand what you are saying. 200 basis point seems like a massive swing, but not really something that we take into account. We don't try to fix our gross margin at a certain level because the nature of the jobs changes.

**Rahul Kumar:**

And for U.S. only, I think what I see is the order book actually has declined quarter-on-quarter from 54 to 51. I mean, why was that? How is the order book environment now?

**Aditya Rao:**

Every half year, we tend to do a little bit of pruning on our order backlog. So, you see a decline, but overall, our active order backlog has actually gone up. In fact, the month of October was one of our best order booking months ever. So, again, not something we are concerned about. We have no concerns from an order backlog point of view in the US. It is quite strong.

And there is a lower-down order booking model called active order backlog, which is all the claims are in place. And our customers are effectively saying, please ship as soon as you can. Engineering is done. Shop drawings are done. So, that puts us in a very good place to quickly turn that around. Not an issue.

The 54 to 51 is just a, and it is something that the quarter end picture. Right now it is actually well above 54, and we expect that trend to continue. Overall, we expect to book about 10 million a month going forward as well. So, that is something that we have. That is reasonably well baked in.

There is new DMs that have been added and the addition of Telco, in fact, boosts that up a little more as well. So, no concerns there. I don't think we have an issue on order backlog, and the active order backlog is healthy and our ability to push revenue out is quite strong.

**Rahul Kumar:**

So, you do expect traction in the revenues as well for the U.S. PEB segment for next two quarters?

**Shrikant Bhakkad:**

Yes.

**Aditya Rao:**

100%.

**Rahul Kumar:**

Even though it is a seasonally sort of weak quarter, but still.

**Aditya Rao:** We have accounted for that. So, it affects different revenue streams differently. Yes, December tends to be a muted month. But what tends to happen is in anticipation of that, a lot of people, we tend to have very strong October, very strong November. That is one reason why order booking also in October has been very, very strong. But we do not believe that our PEB business in the U.S. would be impacted because of the end-of-the-year seasonality cycle.

**Moderator:** The next question comes from the line of Aniket from ABN Capital. Please go ahead.

**Aniket:** Congratulations on continued good execution down the path that you had guided us through. I had a couple of questions. Sir, can you tell us a little bit about the capacity utilization or ramp-up for the new PEB facility currently? And just seeing what is happening in the industry, do you anticipate a need for capacity expansion in the near to medium term?

**Aditya Rao:** So, for the last quarter, again, our overall capacity utilization from a PEB point of view would have been low on the lower side. Think of a number closer to around, say, 60%-65%. And that is assuming an OEE of about 80%. We have addressed a lot of that. We have had good production in the month of September, good production in the month of October.

So, I think for the quarter in question, from an overall basis, we will be north of 70%-75%. Typically, once we reach a 75% number, we tend to expand capacity. And we are doing some amount of top-up, not really relevant from a CAPEX point of view, but we are expanding the number of skips, expanding the number of other pictures that we have.

This ties in well to our labor picture as well. We have tried to expand our labor beyond also what we have traditionally had as well from a per-ton basis. All of this is going to result in higher execution, higher capacity utilization. We definitely project that for the quarter in question will be north of 75%.

**Aniket:** Fair enough. And just a couple of bookkeeping questions. I think you mentioned earlier already. Can you just repeat what the Telco revenue on an annualized basis approximately will be? And also there is a large Rs. 8-odd crores around comprehensive income FX translation entry. So, if you can just explain what that is as well.

**Shrikant Bhakkad:** Yes, the Telco acquisition relatively, as we have explained earlier, it will be close to Rs. 100 crores in terms of the annual. The foreign exchange fluctuations on account of the volatility that we have in the foreign exchange revenue, whatever the earnings, whatever the collections that we have got, and because we are in factor, there is an exchange fluctuation which has changed the number. It is roughly Rs. 2.8 crores. So, Rs. 2.99 crores is on account of exchange fluctuations in the current quarter.

**Moderator:** The next question comes from the line of Vidhi Shah from CRK. Please go ahead.

**Vidhi Shah:** I want to ask that earlier you had guided 7.5% at PBT margin level. So, can I know a tentative timeline by when can we achieve this? And also, what will be the broad levers for the same?



- Aditya Rao:** So, you would see a quarterly trend of our PBT and our PAT margins both increasing. This quarter is an aberration because of the reasons that we had mentioned. We expect it to be an extremely short-term impact. Q3 onwards, we have analyzed it. We looked at what we are looking at from a revenue and profit standpoint. And we are quite confident that we get back to growth. Over the longer term, as these margins get expanded, I think 7.5% is what we have guided to as, call it a terminal velocity of our PBT margin. And the timeframe would be in the next three years.
- Vidhi Shah:** And what will be the growth levers contributing to the same?
- Aditya Rao:** Could you say that again, ma'am?
- Shrikant Bhakkad:** Growth levers.
- Aditya Rao:** Growth levers. Okay. So, we have five growth levers. Our Body in white business, engineering services, boilers, process equipment, pre-engineered buildings, and also our U.S. business, Ascent and others. All of these have large addressable markets. All of them, we have, rightly or wrongly, low market share. And consistently growing our market share in these large addressable markets makes revenue growth and profit growth automatic. It is the same mechanism we have been using for the last three, four years. And as our revenue shows, we are not seeing an issue growing using this model.
- Vidhi Shah:** That's it from my end.
- Moderator:** The next question comes from the line of Ashish Soni from Family Office. Please go ahead.
- Ashish Soni:** Sir, we keep running into issues for Raebareli plant. And so, is our planning right? Because typically what I have seen in UP, the labor cost is not so challenged. What is the issue? I am not able to pinpoint because somehow this Raebareli plant last two, three quarters we have been struggling with something or other. So, just can you throw some light on the management thought process when you set up a plant like this?
- Aditya Rao:** So, the labor issue, let's speak specifically to that. Because of the majority of our PEB manpower in India being contract labor, it cut across plants. It wasn't essentially just a Raebareli issue, it cut across plants.
- The reason for that is the kind of manpower we need, especially for, I mean, it is reasonably automated until what we called a beamline ends, right? So, you get these plates, you convert them into frames and webs, and you weld that together. And then at the end of it, there is end plate welding for the touch-up. And then short-blasting, primer, then epoxy, then three coats of paint.
- That entire chunk from the end plate is an extremely manual intensive process. And it is also skilled and semi-skilled. The process of attaching an end plate is actually quite critical from a

quality control point of view as well. So, it is also an extremely difficult thing to automate, though we have been working to do that.

Now, in the geographies we have been present in, getting contract labor from welders, fitters, assemblymen in the volumes that we needed was difficult. To give you a taste of the numbers, our total shortfall was well in excess of 300 people, skilled manpower. So, that is what contributed to this. We have now solved that problem. So, that is the only other reason. From a capacity point of view, from a load point of view, supply chain, raw material, border items, none of those are issues. It was typically just this execution on this to weather to some extent, but that is a problem for everyone. And it is also not something we can address, so there is no point talking about it. But fixing labor, fixing those is effectively going to put us in a place where we can see higher capacity utilization. And that is something we are going to reach in Q3.

**Ashish Soni:**

And you spoke about an aspiration to reach \$1 billion revenue a year back, if I recollect. So, where do we stand on that? And do you think achieving that in like three, four, five years, what is your vision, at least for the company?

**Aditya Rao:**

We are not curtailed by a billion as a thing. I mean, it is obviously a target that we have in mind. It is an intermediate target. I think from what our plans and what that we put in place, as I had mentioned, addressable markets in each of these are so high, and the largest companies in these fields are so high, that as you grow and scale, we are not curtailed by a billion.

But if you are asking us what our ambition is, I think, as I had mentioned, a foundational 20% PAT growth is what we would want to look at. I mean, that is a non-negotiable for us. If you marry that with large addressable markets, then that outputs out your revenue number. So, we will continue to grow double-digit revenue-wise as well. And that would mean we will reach those numbers that we have projected in the next few years.

**Moderator:**

The next question comes from the line of Lavish from Burman Capital. Please go ahead.

**Lavish:**

So, I had one question related to the PEB vertical. Sir, all other players in the industry have reported very strong growth even though 2Q is generally a slow quarter. And you have also reported very strong growth despite having some labor issues. So, my question really is that is there any one-off during the 2Q that helped everyone in the industry or is this growth momentum sustainable both for the company and for the industry as a whole?

**Aditya Rao:**

We are very confident of strong growth in all of our PEB verticals which are PEBS, Ascent and Telco. That is across geographies. Not just in a base of order backlog as well, in terms of improved capacity utilization also that we are going to bring in. I think if you marry a big order backlog with good capacity utilization, you will have revenue growth. And that is what we are seeing right now.

So, yes, we could have done a lot better. But as I had mentioned last time as well, it took us a little bit of time to fix that issue. Now it is now fixed, so we are quite confident that growth will not be an issue.

**Moderator:** The next question comes from the line of Dilip Kumar Sahu, an individual investor. Please go ahead.

**Dilip Kumar Sahu:** Aditya, the diversified engineering sales growth versus profit growth and PEB sales growth versus profit growth, there is a big divergence, right? Diversified engineering is growing at 10%, 12% when profit has grown by 18%, 20%. Whereas PEB has grown at 30% and profit has grown at some 10%, 12%. Can you tell me two things? One, which particular line of business in diversified engineering is leading the profit growth? Or is it pure product rationalization that you have been doing? And in PEB, had we not had these acquisition and Raebareli issues, could we have just extrapolated the revenue growth with profit growth?

**Aditya Rao:** So, the first question which you had, which is which revenue stream is giving us better margins? I think structural engineering stands out. I think they have done exceptionally well. And they will continue to do exceptionally well. Quite frankly, even there, we are capacity constrained from an engineer's perspective. We are hiring engineers as quickly as we can to grow and scale that business. But that is continuing to do well. Boilers, the order backlog also has grown very, very strongly. So, all of our key verticals are growing and scaling. But as you said, the profit to revenue mix is looking a little different.

PEB, as I said, as I requested last time, when we last spoke, we were in the middle of solving the problem, but we had then addressed it. There is a little bit of a tail that fell into Q2. But now, with what we have on the table, with Telco coming in, we are very confident of strong growth in this vertical. So, that is the picture from a PEB growth vector point of view. So, I think diversified engineering is quite strong, I think.

**Dilip Kumar Sahu:** No, my question on PEB is that if we had not had these two issues, which is basically acquisition and Raebareli, our profit would have grown at 31%? That was my question.

**Aditya Rao:** Short answer, yes, we would have had stronger growth if we did not have these issues. Since, I mean, from the base of what I have already told you, if our capacity utilization is higher by 10%, for example, then the revenue for the quarter would have been higher by Rs. 100 crores. So, obviously that filters down to bottom line.

**Dilip Kumar Sahu:** My second question is regarding this Telco acquisition. How is the new structure, I mean, how is U.S. business looking to us now? Are you going to have one organization, one sales team selling two lines of businesses? Or are there going to be two separate teams? That is one.

And can you just tell us about how is the market trend in U.S.? Because we hear a lot of investment up-cycle in U.S. particularly power, oil and gas and data center et cetera. And since

we have taken a structural engineering, structural steel business like Telco, which is primarily into infrastructure kind of stuff, how does it look different as compared to how it was maybe three years back when we had only Ascent?

**Aditya Rao:**

So, from a revenue stream point of view, everything falls into PGI. We do monitor them as separate revenue streams. But what you would see is a consolidated picture. It includes all of our U.S. revenue coming out. That would be in PGI. That is question number one.

Market trends, order backlogs continue to be strong. I think the larger U.S. macroeconomic picture, I am not certain of it. Honestly, it is not something that we monitor. What I would guide you to is monitoring what is called as the non-residential construction index. It is an excellent predictor of how the metal buildings business, as the pre-engineered building business is known, of how that entire overall market is growing.

But I do want to guide you to one other thing. Just as in our other revenue streams, the addressable market for structural steel and metal buildings in the U.S. is close to about \$80 billion or \$85 billion. So, obviously our market share there is low. So, we can afford to, even if those markets are growing, but for us, the challenge is to quickly build up scale and capacity and Telco is an attempt to do this so that we can massively expand our execution. All of that work has been done in the last few quarters, including the cost that we have to take.

So, the picture that I am trying to tell you is we are a little bit divorced from what is happening macroeconomically in the U.S. Though that is positive, the larger positive is nothing less than us building up capacity and building up those capabilities in terms of team, in terms of sales, business development. That is what we have done.

That is why we are so confident that PEB will do really well in the next few quarters because it is just a combination of low market share, growing order backlog, and our capacities have now come online and our acquisition has now come online. So, that is just a consequence of that. But yes, oil and gas, data centers are major markets for us.

**Dilip Kumar Sahu:**

So, you are saying that sales and manufacturing assets are fungible, so you can leverage each other and hence there will be a synergy in this acquisition.

**Aditya Rao:**

I am sorry, I am not sure I understood. You said sales and marketing.

**Dilip Kumar Sahu:**

I am saying that the current Ascent sales and manufacturing assets and the Telco sales and manufacturing assets, are they fungible or are they going to be like separate?

**Aditya Rao:**

No, they are separate. They are separate markets.

**Moderator:**

The next question comes from the line of Vaibhav Jain from Omkara Capital. Please go ahead.

**Vaibhav Jain:** Hi, sir. My name is Vaibhav. I am sorry if this question has been asked previously. Are we doing something to bring down the debt immediately? And are we considering a QIP or a rights issue?

**Aditya Rao:** There are several corporate actions that are debated at the Board level. Once we have something cleared by the Board, we will communicate that with you. My apologies, but I would not be able to share anything on corporate actions as of right now.

**Vaibhav Jain:** But are we looking to do something about the debt?

**Aditya Rao:** 100%. Our debt equity is right now 0.8, and we intend to bring that down.

**Vaibhav Jain:** I understand, sir, but it is a drag on profitability every year if we have Rs. 150 crores going out.

**Aditya Rao:** That is correct. That is correct. Now, I do want to guide you to something. The vast majority of this interest is LCEs and other non-cash instruments and interest costs. So, that is not going to, look at it more as a percentage of revenue. What we always guide it to is a certain percentage of revenue our model calls for, which allows us to grow and scale. We want to grow revenue. We want to grow profitability as well.

On a sustained basis, what gives us confidence is having a large order book, having a large revenue, and interest cost is a certain percentage of revenue. That number around 3% is what we are comfortable with. So, little north of that 3.xx right now, but we will, as I had guided you, we will reduce that. I think there is a certain debt equity level that we can achieve and sustain. So, think of a number 0.7 and that is fine. More than that, it doesn't really matter.

I think our goal should be rather margin expansion on our EBIT and also revenue growth. So, we shouldn't, there is a certain amount of debt that is healthy. As of right now, perhaps it is a little higher than what we are comfortable with. But I do again want to guide you backed up by a lot of current assets. And a lot of it is non-cash debt. A long-term debt is actually quite small. It is about Rs. 120 crores, Rs. 130 crores, which is probably a quarter of our EBITDA.

**Moderator:** The next question comes from the line of Ankur Kumar from Alpha Capital. Please go ahead.

**Ankur Kumar:** Sir, I wanted to understand in the press release, we have talked that we have won Rs. 956 crores orders, which will be executed in the next six months, next two quarters. But in the PPT, PEB order book, it hasn't grown much when we compare. So, can you comment the difference between these two things?

**Aditya Rao:** The differences are between the September 30th number and what we are at right now. So, the consolidated order backlog also in the last one month, two months has grown a lot for us. So, that is the reason for the differential in that. But yes, I mean, our order books in PEB, in Ascent and others are right now at a record high. They have never been this high. So, we have no order book problem.

- Ankur Kumar:** Can you comment how much is it higher versus say last year same time?
- Aditya Rao:** It is higher by more than 20% across businesses our overall, so let me put it this way. Every quarter we used to report about Rs. 600 crores, Rs. 700 crores in our order book growth and now we are reporting Rs. 956 crores. So, that number is it. But I am not saying we are 50% across the board, but that is a quarter picture that you are seeing. But it is strong growth in order backlog. Quite frankly, it could be even higher. We need to quickly increase our execution and our revenue, and then we can expand it further.
- Shrikant Bhakkad:** Just to clarify, the order book that we have disclosed in the investor presentation, that is only PEB order book. And the U.S. order book is again disclosed separately. So, basically, in order to get the overall order book, we need to add all the components of various business divisions. So, apart from PEB India, PEB U.S., boilers, railways, hydraulics and steel, all those orders put together is Rs. 956 crores, which is a combination of all the revenue streams that we have. And the order book that is included in the press release is only on the PEB part of it, which is India and the U.S., both given separately.
- Ankur Kumar:** So, when we say we will execute this Rs. 956 crores in the next quarter, this will be the extra. And what else will be the normal book which we will continue to execute? Can you comment roughly on that?
- Aditya Rao:** Sorry, your question was about larger order book resulting in larger revenue.
- Shrikant Bhakkad:** I think what he is asking is basically what will be the execution period of this Rs. 956 crores.
- Aditya Rao:** Oh, next six months.
- Shrikant Bhakkad:** Four to six months will generally be the execution timelines for this order book.
- Ankur Kumar:** No, that is given in the presentation. I am asking, apart from this Rs. 956 crores, is there some normal order which we will continue to execute in the next quarter? What will be that amount roughly?
- Aditya Rao:** Oh, I understand. Yes, our order book-based businesses is roughly only about 60% of our revenue. There is a lot of other what we call scheduled revenue. Body in white gets covered in this. Structural engineering gets covered in this. BIM gets covered in this. So, that is, we don't report an order book for that because it is not orders, but what we call regular month-on-month revenue that keeps coming in. And we don't quote orders. It is more perhaps it is a pricing discussion, but overall, it is steady revenue that just comes in. We don't need to go out and book orders for that.
- Ankur Kumar:** So, that would be 40% of the business.
- Aditya Rao:** That is correct.

- Ankur Kumar:** And sir, on margin side, given such strong order book, can we expect as in to margins to improve? How much can we expect to improve?
- Aditya Rao:** As I replied to the previous questions, this quarter the 2-3 basis point is an outlier, primarily due to some exceptional costs we had in acquisitions, a tail of a labor issue that we had, but we will make sure that Q3 would be better. We are quite confident that happens.
- Moderator:** The next question comes from the line of Aryan from Pennar Industries Limited. Please go ahead. Mr. Aryan, please unmute yourself and proceed with your question. There is no response from the side of Aryan. We are moving on to the next caller. The next question comes from the line of Shubhankar Gupta from Equitree Capital. Please go ahead.
- Shubhankar Gupta:** Hi, Aditya. So, I think a follow-up question from what Vaibhav was asking on the debt bit. Long-term borrowings in March '25 were at Rs. 206 crores. Right now, it is at around Rs. 247 crores, around Rs. 250-odd crores. Similarly, for short-term borrowing, it was at Rs. 570 crores in March '25. Right now, it is around Rs. 715 crores, right. So, just want to understand where exactly are we using this debt? And at what, let's say, interest rates have we raised this sort of loans?
- Shrikant Bhakkad:** Just to clarify, the total increase in the borrowing is around two counts. One is, as you said, long-term and a short-term. The long-term borrowing predominantly is an increase on account of the acquisition that we had for the Telco. That is predominantly the reason for the increase in the long-term borrowing.
- In fact, in India, whatever the repayment that we have done, there is a decrease of close to around Rs. 20 crores that I have alluded in my opening remarks. So, there is an increase in subsidiaries close to Rs. 62 crores and there is a decrease in standalone by Rs. 21 crores overall in terms of the debt picture that we are trying to bring it to you.
- In terms of short-term borrowings, there is on account of two. One is India and one is the subsidiaries. The increase in India is predominantly for the increase in the revenue that we had during the current year and on the back of increased order book.
- Similarly, in the U.S., what the increase is, is on account of the working capital utilization and of the new Telco entity that we have. So, part of the problem is close to around Rs. 78.37 crores is coming from this one and balance Rs. 58.16 crores is coming from the U.S.
- So, that is the overall picture in terms of the India and U.S. businesses put together debt. Earlier, we never used to have debt in our subsidiaries. Now that they have reasonably grown and we are able to have the demonstration, we have some debt and that is how the numbers are I am trying to explain the standalone as well as the consolidated debt picture to you. Hope that answers your queries?
- Shubhankar Gupta:** Yes, that answers one part of it. Let's say, what is the blended rate at which we have taken these? Like weighted average of the whole firm right now?

**Shrikant Bhakkad:** India rates are completely different from the U.S. rates and in India, a large portion of our debt does not even include the non-fund utilization of the LCL limits that we take. So, if you take finance costs divided by the borrowings, you would not get the rate because a large portion of the non-fund-based utilization also gets predicted and injected in terms of finance costs. But to answer your question, in India, we are at around 10% in terms of the finance cost. And in U.S., around 5-ish kind of a...

**Aditya Rao:** 7, I believe one should include.

**Shrikant Bhakkad:** Yes, 7% PEB in in U.S.

**Moderator:** The next question comes from the line of Raj Saraf from Finvestors. Please go ahead.

**Raj Saraf:** Sir, just a couple of questions from my side. I read your last conference call transcript. So, what I can perceive by reading this is that you were quite confident about this labor issue solution. And then we came across this result. So, what is the risk going forward that the guidance, which is now guided even by you, will not be met? And if you can just give a ballpark number, it will be helpful because we are seeing margins of your peers, especially in PEB, they are now quite comfortably going double digit and even further. So, these are the two questions.

**Aditya Rao:** So, I am familiar with our competitors and how they are performing. I think the healthiest thing we can do is look into where our operating margins are different because that is what is comparable on a company-to-company basis. And then execute, right? Execution. The more revenue you have at a market rate of operating margin, then that outputs out your EBITDA, which outputs out your PBT. So, we are going to continue doing it.

I think the primary difference that I see between us and our competitors is perhaps a 300 basis point margin. We are looking at how we can resolve that. It can either be a supply chain issue or an engineering issue. We are looking to see ways we can resolve that.

It could also be a scale issue because some of our competitors are perhaps substantially, not tremendously, but about 30%-40% larger. I think our growth rate being high, make sure that we can continue to gain market share. If not with respect to one competitor, then at least in terms of the overall market.

So, what I and the CEO of our metal building businesses, our PEB businesses, what we are looking at is consistent, sustainable revenue growth, making sure margin expansion happens and profit and cash flow generation follows through. So, that, I am quite happy with what they have achieved. And I am quite confident that we get to a point where we improve on those numbers. Q3, Q4 itself should illustrate a lot of improvement on those numbers.

So, that is how I see it. We are monitoring what our competitors are doing. But for obvious reasons, it is not immediately transplanted to a strategy. I cannot go and say, "Okay, they are doing so much better. So, why don't we do also equally better?"



Our overall picture is what matters. And we are larger from a revenue standpoint and a profit standpoint than any other listed entity in this space. Of course, with a consolidated revenue standpoint is what I am talking about. We look to leverage those strengths. And I think for us, as far as we are concerned, it translates completely into a large order book and execution issue. So, I am quite happy with our goal right now.

You spoke of guidance. We did not miss our guidance. I think what we have always forecasted is revenue, profit growth and we have had that. Could it have been better? Yes. But as you alluded to the labor issues and other issues, we are now quite confident it is solved for that. And there are other revenue streams which are strongly growing in Pennar as well and also contribute a lot of profitability.

So, the blended picture is one of robust revenue, sustainability and profit growth as well. And we are watching what our competitors are doing. We will make sure that from an operating margin point of view, we get to where they are. There is ways and mechanisms to do that. And once we complete our execution, first you solve for revenue, then you go down to the cost status. Once you solve for that, we will get there in the short term.

**Raj Saraf:** And just for a clarification, sir. So, you just upped the guidance in PEB segment up to 30%. Am I right, sir?

**Aditya Rao:** Did you say revenue growth in the PEB segment is 30%? That is accurate, yes.

**Raj Saraf:** Yes. Sir, this is for annualized basis or left over the year, sir?

**Aditya Rao:** I am sorry, could you repeat that?

**Raj Saraf:** Sir, 30% growth in PEB segment is annualized over FY '25 or for the rest of this year, that is H2?

**Aditya Rao:** No, no, 30% was on the quarter.

**Shrikant Bhakkad:** Q2.

**Aditya Rao:** Q2, what we are guiding to is good growth in Q3 and Q4. We are not giving you a specific number as a percentage growth, but yes, it will be a good number, substantial number.

**Raj Saraf:** So, sir, right now, we are inching with 20% growth in PEB segments, so it will be better than that in Q3 and Q4?

**Aditya Rao:** With the addition of Telco, with PGI doing well, I think they are seeing a very good Q1. They use U.S., so U.S. Q1 is what they would look at, which is Q4 for us. I think you can look at the rest of this year being very strong for PEB.

- Shrikant Bhakkad:** Before we end the call, we have continued to engage with the investor community on a quarterly basis. Please do reach out to our investor relations and the Adfactors agency in case you want to get in touch with us. And in case there are any questions which are unanswered and other things, we will be happy to answer those questions in every quarterly meetings that we do with the investors. Thanks.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to management for closing comments.
- Aditya Rao:** Thank you for your calls and your support, sirs. We will look to execute on our plan. And in the medium term and short term, from the management side, I will commit revenue growth and profit growth and moderation of our debt equity to a lower number. But thank you again for your support and while we execute. Thanks.
- Moderator:** On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.