



Growth Unlimited

# POWER MECH®

Date:18.08.2023

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

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

Dear Sir/Madam,

**Sub: Transcript of the earnings call for Q1 FY 2023-24**

**Ref: BSE Scrip Code: 539302, NSE Symbol: POWERMECH**

Pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015, please find enclosed the transcript of the Earnings Call for Q1 Results of FY 2023-24 held on Thursday, the 10<sup>th</sup> day of August, 2023 at 2.30 PM (IST).

The transcript is also uploaded on the Company's website at [www.powermechprojects.com](http://www.powermechprojects.com)

This is for your information and necessary records.

Regards,  
For Power Mech Projects Limited

Mohith Kumar Khandelwal  
Company Secretary



Encl:A/a



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## POWER MECH PROJECTS LIMITED

AN ISO 14001:2015, ISO 9001:2015 & ISO 45001:2018 CERTIFIED COMPANY

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“Power Mech Projects Limited  
Q1 FY '24 Earnings Conference Call”  
August 10, 2023

Disclaimer: E&OE: This transcript is edited for factual error(s). In case of discrepancy, the audio recording uploaded on the Stock Exchange(s) on 10.08.2023 will prevail.



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

**MODERATOR:** **MR. PRASHEEL GANDHI –NIRMAL BANG EQUITIES**



**Moderator:** Ladies and gentlemen, good day and welcome to the Power Mech Projects Limited Q1 FY '24 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be no opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prasheel Gandhi from Nirmal Bang Equities. Thank you and over to you, sir.

**Prasheel Gandhi:** Thanks, Lizann, and good afternoon to all participants. Nirmal Bang Equities welcomes you all to 1Q FY '24 Earnings Conference Call for Power Mech Projects. From the management team, today we have S.K. Ramaiah sir, Director Business Development, and Mr. Jami Satish sir, CFO. And I hand over the call to management for opening remarks, post which we can take questions from participants. Thank you and over to you, sir.

**Jami Satish:** Yes, thanks, Prasheel. Good afternoon, all. This is Satish. I have with me Mr. S.K. Ramaiah, Director, Business Development. Once again, welcome you all to the Earnings Call Quarter 1, FY '24. We had one more great quarter as we are seeing positive developments across vertical including execution, business development, new talent induction, risk management, continuous leadership training, working capital cycle improvement and cash flow.

The overall performance for Power Mech is well within the set plan both in short term as well as long term. Performance for the company continued to be robust. Coming to the numbers, the reported total income for Q1 FY24 is INR 871 crores and EBITDA for this quarter is close to INR 105 crores and PAT is close to INR 51 crores. Whereas during quarter 1 of last financial year, the reported total income was INR 749 crores and the reported EBITDA was INR 86 crores and PAT was INR 39 crores.

Quarter-to-quarter there is a growth of almost 16% and with the growth of the top line the EBITDA has gone up almost 22% and whereas PAT has gone up to 29% which is significant. The revenue mix for quarter 1 is as follows. Erection business has contributed INR 139 crores. Civil including railway, metro, water distribution, STP it is around INR 493 crores. Operation and maintenance, both domestic and international, put together is INR 224 crores. And electrical business has contributed INR 8.9 crores.

Whereas last year, Q1, FY '23, electrical business has contributed close to INR 152 crores. Civil, INR 376 crores, operation and maintenance it was around INR 196 crores and electrical business it was INR 22 crores.

During quarter one of this year, domestic business has contributed almost like 90% and rest has come from the international market which is close to 10%. And power sector, power and non-power, the distribution is 51% and 49%. Quarter one of last year, the contribution from international used to be 17% whereas this year it is 10%. And domestic was around 83%. And



similarly the mixed power and non-power last year it was 60-40 and this year it is almost like 51-49.

We have seen growth both in O&M and civil business on a year-on-year quarterly basis. Erection business continued to be flat, expected to grow post quarter 2. Electrical business has shown negative growth because of conscious reduction in the order booking plan. We are not expecting much to concentrate on electrical business because of its large working capital intensity.

Going forward, water distribution related works, railway, metro, Power Projects related works, Material Handling and Contract Mining will play a major role in our business model. Of course, operation and maintenance both power and non-power domestic as well as international will continue to be the backbone of the company.

Improvement is also seen in overall margin profile and same is further expected to improve gradually. Coming to the depreciation cost as a percentage it is more or less flat, remain lower side due to planned capex spending, not much capex is happening. We have kept close to INR 40 crores to INR 50 crores that is the level.

And finance cost as a percentage remained controlled and continued to be controlled on account of improved working capital and cash flow. With improvement in margins, we have also seen improvement in ROC and ROE. And on commencement of the revenue from MDO business, significant improvement further expected both in ROC and ROE.

Coming to the other developments, during last quarter we got close to INR 42 crores which was held for a long time with Andhra Pradesh Medical Tech Park, INR 42 crores we realized and close to INR 20 crores of retention money which is the final amount. All set now, we are expecting this to be realized in the next 30 days. And the average monthly collection continued to be at INR R350 crores plus and we are seeing gradual increase in the collection with the growth of the business and this is expected to grow significantly.

Coming to the net current days, excluding cash and cash equivalent, it continues to be in the range of 128 to 135 days, which used to be significant two years back. A lot of effort has gone to bring down this number and our immediate target is to see this number to 150 to 110 days. And coming to the debt, the gross debt and net debt remain at control level. As on quarter one, the gross debt is close to INR 490 crores which is flat in spite of increase in the order book and business, this number remains controlled because of improvement in the working capital cash flow and the net debt is close to INR 284 crores.

And debt equity is also more or less remained at control. 31st March this year we had close to 0.37 and where as it was 31st March(last year) it was 0.5. So it has come down significantly. So more or less it's ranging 0.3 to 0.4.

Coming to the order book target, we had opening order book of almost INR 23,000 crores plus and we have set a target of close to INR10,000 crores for this year, including the spill over order book of INR1,200 crores of last year. So we are more or less confident of achieving this number. So this target remains the same.



As of today we have got L1 status of projects around close to INR 2,000 crores and projects which we have already got INR 720 crores. So the target of INR10,000 crores is quite achievable. We have identified projects of around INR 40,000 cores plus. So INR 10,000 cores for this year's target we are quite confident, excluding the MDO part.

Major target segments include international operations because post-COVID, during COVID, we could not take much of the orders because of travel restrictions. But now the team is quite active. A lot of enquiries are coming. So we have kept close to 400 plus of international order book and could be another INR 150 crores to INR 180 crores of operation and maintenance orders from international.

Apart from that, domestic itself we are targeting close to INR 1,500 crores of O&M orders and we are seeing lot of momentum happening in the power, especially the old plants getting revived. So we have kept a target of almost like INR 2,000 crores plus. On top of that, water distribution, it's almost like INR 2500 crores. Material handling, a lot of enquiries are happening. So there we have kept a target of INR 500 crores to INR 800 crores. And specialised construction could be in the range of INR 450 crores to INR 900 crores.

So the order book is widely spread, so the opportunities are plenty. Now each SBU in house it's quite competitive to bid for decent-sized projects. Now each SBU has built their PQs and credentials. Now it is enabling the Power Mech to bid for larger projects at competitive price. And we thought JV, so that is also helping in a big way to improve the margin profile.

As you all know, recently we have got a large MDO contract from SAIL. This is a major breakthrough for Power Mech. We have been working for two-three years to see that Power Mech will build INR 3,000 crores to INR 4,000 crores of stable income for a long term which is mainly sustainable and which will help in a big way to improve the margin profile because normally we used to work at 13%-14% margin three-four years back because of so many reasons, losing for the JV credentials and all and booking cost for the PQs and all.

So we ended up working with 11%, 11.5%, 12% but now there is a high probability that the margin profile will improve with the new project. So this MDO we have got from Steel Authority of India, SAIL. The contract size is close to INR 30,438 crores, which has to be executed over a period of 28 years. That includes two years of development period. The broad scope includes development of all the infrastructure including a washery, coal handling plant, all related infrastructure which is necessary to excavate the coking coal.

So we have to excavate close to 4 million tons of coking coal. The total reserves are expected to be almost like 97 million tons. And the overburden we have to remove almost like 535 cubic meters in million. So this is a large contract and this will change the profile of Power Mech and this will help along with the existing MDO KBP project plus the operation and maintenance which we are generating close to INR 1000 crores of top line. So this will help us to push INR 3500 crores plus from 2026 onward in a big way.

So the consistent stable income, INR 3000 crores, INR3,500 crores is now assured for Power Mech from '26 onwards. Plus now we have built the credentials in railway, metro, water. Of



course, we have our own pie of power. So combined together, we can see a large quantum jump going forward. So this MDO project we went with a JV partner called PC Patel. The structure is 74% Power Mech will hold and 26% to the JV partner. And the structure we have gone because of PQs, but the 100% will be executed by us.

So next two years, we have to set up the washery and coal handling plant and related infrastructure. So this needs close to INR 800 crores of investment. And on peak, we are expecting a top line of almost like INR 1200 crores plus. And the margins from this project expected to be the largest contributor as compared to our all existing businesses. So this will help in a large way for our blended margins. The investment of INR 800 crores, this will be a combination of lease, some of project specific debt and internal accruals plus the equity part.

We are working on multiple structures to optimize the cost and the capital structure. And one more good development is the KBP MDO, we have got the forest clearance and recently the EC committee has approved the environmental clearance. So this is expected to receive by end of this month. So most likely October onwards, both the projects, the ground work can be started. So for this year FY'24, Q4, we may expect come only INR 100 crores, INR 100 crores plus of top line.

The new project of Tasra, which we have got from SAIL, this is a project where all the approvals are in place. So it wouldn't take the process what we have taken for the old mine. So this is a ready to start project. Approvals are in place. So we are expecting the contract to be executed next 30 days. Post that we can commence the work at the ground. We'll mobilize the project and we are expecting to book some revenue during this year. So the combined two projects may be INR 100 crores plus. Maybe next year we can target close to INR 350 crores to INR 450 crores and gradually it can go up to INR 2000 crores plus escalation. That is the target.

And in terms of execution cycle, it's Q1, Q2, historically it works 35% to 40% of the total year. So this year is going to be 35% the revenue coming from Q1 and Q2. 60%, 65% will come in the second half. That is how the industry works for us. So we kept a target of 37% to 40% conversion to our opening order book and we are positive and confident of achieving that number. And FY'25, FY' 26, we are seeing a good quantum jump because of the projects in pipeline, order book is very strong.

Apart from that, this MDO, both are going to stabilize during this year itself. So this will help in a big way. So both the projects put together plus the existing order book and the projects that we have kept in target, so probably 35% plus CAGR we are expecting next two years. So by FY'26 is going to be a major quantum both in terms of our top line and in terms of margin profile also we are doing. We are expecting that we should come back at least plus to our normal margins what we used to report three, four years back.

Now I request Mr. SK Ramaiah to share a few more developments before we get into the Q&A. Thank you.

**S.K. Ramaiah:**

Thanks, Satish for your various points you brought out about the business. And thanks for the participants. As Satish has said, the entire business outlook looks positive and bullish. And we



have seen the order backlog of INR 8855 crores by end of the year in 22, grew to 13732 cr by 31.3.23(excluding MDO). And with additional INR720 crores in first quarter, we are maintaining more or less the same backlog of orders, with mechanical contributed INR6845 crores, civil INR6005 crores, O&M nearly about INR500 crores, electrical INR270 crores. The power to non-power is 65% to 35%.

The Power segment backlog is INR 8,781 crores. The non-power INR 4806 crores and the domestic segment is highly bullish. And this is obviously the input, what we are getting in terms of the National Infrastructure pipeline investments, which is going on for the last three years which is a total investment of INR111 lakh crores, and that has been reflected in the near doubling of the orders from 2021 to '23 from INR4,238 crores to INR8,479 crores or with that the establishment base line of INR8,500 crores of order booking last year, what Satish said about the projections for the current year of INR10,000 crores is reasonably possible.

That is mostly driven by the opportunities of what we can have and a lot of the investments are coming in the private sector also. The major aspects of the business is that around INR2,000 crores of jobs are in the L1 position. In terms of O&M, water systems and installation jobs and also non-power jobs. And moreover, the opportunities, what is being tracked, the individual projects in various segments comes to around INR 25,000 crores, with installation of about INR 5,000 crores, non-power about INR 500 crores, Railways nearly INR 3,000 crores, Electrical INR1,500 crores. O&M INR2,500 crores, drinking water about INR 2,000 crores and other water systems another INR2,000 crores, FGD nearly INR3,500 crores and road projects about INR4,500 crores.

Therefore, there is a visibility of the investments, both in the government sector and the private sector. In all areas of the investment is going up, and railways experience, drinking water experience and even road construction experience is pretty good for the organization because we are doing quite well in terms of conversion and the projects execution.

The major projects on hand, Yadadri, what we are doing into 5 x 800-megawatt in Telangana about INR813 crores, 76% work has been completed. Maitree 2x660 megawatts in Bangladesh INR855 crores- work completed 77%. Udangudi 2x660 megawatts in Tamil Nadu 78% of INR362 crores and the Khammam Kodad road, the progress is very good. 64% were completed. Then the other road projects, we have done about 56%. Then Bhusawal project for the BHEL we are done about 89% of INR256 crores. Drinking water progress is picking a lot of traction, and almost 30% of the work has been completed.

Then the new job, what we have taken from BMRCL, is the maintenance shop work in Bangalore is about INR427 crores work has started in full swing now, and revenue should come up more in the current year. Then Monnet Ispat' power project, which is a revival project of 2x525-megawatt INR106 crores, we've already taken up the work, and railway electrification job, almost 92% is completed.

The opportunity wise, if you look at it, in the installation business in the power sector itself, there is going to be a revival of the investments in the coal-fired plants, owing to a variety of factors mostly driven by revival of projects stuck under insolvency. One is to bring the stability



in the grid operation and the other is to balance the baseload operations. There is a plan to add capacity by many Utilities, & already many of the projects have been approved. NTPC is bringing new projects in Lara, Daripalli, Sipat, Singrauli, Meja, Ramagundam, Patratu, 13 sets of 660 to 800 megawatts. Damodar Valley Power Corporation is bringing up a project in Raghunathpur. Many of these projects are brown field projects.

Haryana power Generation Company at Yamunanagar, 800 megawatt, NLC Talabira is almost on the pipeline, about 3x800-megawatt, NLC Neyveli expansion 2x660 megawatt. Then Rajasthan Vidyut Nigam Limited, Chhabra and Kalisingh, they're bringing up two major projects of 2x660 megawatt & 2x800mw respectively. Then Gujarat electricity Board also is bringing 2x800 megawatts project.

Apart from that, there is a revival of thermal plants of about 12 sets of various capacities, which were on liquidation process in Monnet Ispat in Orissa, Athena in Chattisgarh, Meenakshi in AP Amarkantak in MP, Ind Bharat Orissa, Sirpur in Maharashtra, this is about 12 sets of 5270 megawatts. And in this already, we have made an entry in Monnet Ispat with JSPL and Athena. with Vedanta, we are discussing and already we have given the offer for about INR 500 crores and we are hopeful in getting works in many packages.

Apart from the above, Coal India Limited is planning, they are trying to become energy intensive company of not only coal production, they want to enter into energy generation. And that they are planning to invest in projects of 2,400 megawatts in Odisha and Madhya Pradesh.

Then the O&M opportunity as Satish was saying, that many opportunities are there.

We have identified about 9,250 megawatts spread across various upcoming projects in Khurja 2x660-megawatt, Ghatampur 3x660 megawatt, North Chennai 800-megawatt, Vedanta Captive power plant in Hindustan Zinc Limited 182 megawatts, Raichur KPCL, 2x800 megawatt.

Then Jindal power plant in Angul 2x600-megawatt and IL&FS project 2x660 megawatt. In the domestic segment itself, there are around INR2,000 crores of opportunities. Internationally, recently, we have seen that the Captive power plant, which we have done for the Dangote oil refinery in Nigeria, we've already taken a job of INR100 crores of long term AMC contract.

And there's opportunities in Middle East, particularly in the Gulf area, where we are well established. Last year, we booked orders of nearly INR150 crores in various maintenance jobs, especially in manpower services jobs, repair and overhaul jobs. and there is a scope to map out opportunities of more than INR500 crores.

And therefore, in terms of the overall growth, perhaps INR10,000 crores is achievable and the continued investment by government in drinking water of the balance of INR 70,000 crores investment planned this year. Out of INR19.25 crores village house holds, drinking water is provided for 12.86 cr house holds & yet to be made available with drinking water linkage is, 6.38crores.

And there are many other water-related projects in harnessing surface water & in urban development and urban renewal programs. Those initiatives should come in, and railways offers





an excellent opportunity and the Metro rail investments also excellent opportunities to expand present installed base of 800 kilometers -- route kilometer can more than double up with an annual investment of INR20,000 crores.

And with our entry and railway maintenance shops, particularly metro maintenance shops in Bangalore. Every city with metro network provides opportunity, there are about 27 cities are, planned from the present 18 cities for Metro rail connectivity. It will double up with that, it will go to Tier 2 or Tier 3 cities. Every city wherever the metro rail comes, there will be 1 or 2 maintenance shops between INR 300 crores to INR 500 crores.

And more with the railways is coming with various schemes to improve the logistics and also maintenance shops and more than that, the road sector, they are going to not only the road development will continue to grow, but they are going to put up a lot of logistics facilities, to reduce the logistics cost. Government is going to invest heavily into way side facilities, Logistic parks nearly about INR 70,000 crores to INR 80,000 crores, and power sector, I told you about the development. Non-power, particularly the investments will come up in the steel sector. The present installed base of 158 million tons will develop by another five to, seven years.

And all the major players, both in the public sector, Steel Authority of India Limited, & Private sector JSW, JSPL, Arcelor Mittal, all of them are going to increase their capacities and they have lined up the investments. And it is expected in the refinery segment also, this investment should come up by increasing the refining capacity, and then the gas and oil sector also. Therefore, this outlook should sustain for the next couple of years. And then the basic feature of the revenue generation will shift to the mine development operations as Satish has told and coupled with the increased sustained business in the O&M, both in the domestic sector, international power sector and non-power sector also.

That is how, the stability will come in revenue growth, and then apart from the new opportunities, what we'll get in all sectors of the business, which we are pursuing as on today. Thank you. Yes. Prasheel, you can go -- move forward to Q&A.

**Moderator:** Thank you. The first question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

**Pritesh Chheda:** Yes. Thank you for the opportunity, sir. Sir, what kind of execution do you see for FY '24 on the revenue side?

**Jami Satish:** See FY '24, we have kept a target of 37% to 40% conversion to our opening order book. So we are on as per that plan. First half, we are expecting close to 35% to 38% conversion, thereafter 60% in the second half. That is a plan we have kept.

**Pritesh Chheda:** Okay. And what is the backlog number that you're referring to for that 37%?

**Jami Satish:** See, the opening order book is almost close to INR 13,600. That is the base for the conversion. And we have kept a target of INR 10,000 crores for this year. So already L1 is INR 2,000 plus INR 720 crores, we've already taken. So this -- some conversion will happen, okay? That's going



to be an offset. But as a thumb rule, 37% to 40%, that is a conversion we're expecting for the year, for the opening order book.

**Pritesh Chheda:** And you received INR 2,000 crores orders, right, so far, in the INR10,000 crores target that we have, right?

**Jami Satish:** INR720 crores, we have already got LOI and it started -- the work started. The rest INR 2,000 crores in L1 status, probably next 30 days or 35 days or max of 45 days, the contract award process should complete.

**Pritesh Chheda:** Okay. Then on the power erection side, what kind of projects are you seeing in the system?

**S.K. Ramaiah:** Yes. As I told you, that the revival of the thermal plant services were stuck up under liquidation. That is changing. Monnet Ispat has started. Now it is expected that Athena Power in Chhattisgarh 2x600 megawatt already, we are in dialogue with customer for around INR500 crores of offers also we have given, and we are well placed there. And Amarkantak 2x660mw contract is getting revived. That's a major project.

Then apart from this, it is expected the present revival of the coal-based plants I told you 22,320 megawatt that has come up for implementation in a sense, some projects should happen. Like NLC Talabira 3x800 megawatt, NLC Neyveli 2x660 megawatt. Then NTPC is already implementing 2x660 megawatt in Talcher. Then Lara is coming up. It is expected, it should be awarded shortly. Maybe there are certain aspects they are discussing with the L&T.

And there are other projects also. Therefore, these are the opportunities we are looking at it. And in non-power also, there is going to be opportunities in the iron ore, then coal handling plants and also, yes, drinking water and then water systems, etcetera. Therefore, wherever the installation-related jobs are there, both in non-power and power, things would happen.

**Pritesh Chheda:** Okay. And sir, my last question is this MDO revenue, will FY '26 will start seeing the revenue booking on the two projects, which is KDH and the SAIL or FY '27, the real the operator-related revenue. So that will be in '26 or '27?

**Jami Satish:** We're expecting some revenue to come by quarter 4 of this year itself.

**Pritesh Chheda:** That's mine development revenue, right?

**Jami Satish:** It's both the MDOs because the second MDO which we got recently, we have all the approvals in place. We need to have the contract signed that will take 30 days, 35 days. Thereafter, we need to mobilize the project.

**Pritesh Chheda:** Sorry, I wrote that, you said INR 100 crores in '24 and INR 300 crores in FY '25, right? These would be site development revenues, right, which you're...

**Jami Satish:** No. Both things will happen parallel. Site development will be its like our capex, and the excavation of coal per ton, what the customer has to pay, that will be billing will start so it's actual revenue.



- Pritesh Chheda:** So and you said that INR 2,000 crores in FY '26, right?
- Jami Satish:** Yes. So put together, we are targeting close to INR 1,200 crores-plus, okay. And plus our MDO is the existing O&M, put together that O&M plus MDO 1 and MDO 2. So we are targeting that, that should cross at least INR 2,500 crores to INR 3,000 crores-plus, escalation is already in built.
- Pritesh Chheda:** So what is this O&M?
- Jami Satish:** The existing operation and maintenance, which we are doing close to INR 1,000 crores now, okay? That is actually long-term contracts, which is sustainable. So that plus the MDO, which are almost like 25 years, plus 28 years. These three put together, I'm targeting close to INR3,000 crores-plus.
- Pritesh Chheda:** Okay. But the MDO number is INR 2,000, right? Your O&M number is already there as a part of your INR 4,000 crores revenue, right?
- Jami Satish:** Yes, the INR 2,000 crores with two MDO by '27, I think it should be close to INR2,000 crores.
- Pritesh Chheda:** And in '26?
- Jami Satish:** '26 could be around INR1,250 crores to INR1,300 crores.
- Pritesh Chheda:** And in terms of the output that, that mines have to produce, there will be a peak in FY '27?
- Jami Satish:** '27, yes, it will peak at FY '27.
- Pritesh Chheda:** And what margin should one assume on this INR 1,200 crores and INR 2,000 crores?
- Jami Satish:** See this MDO, there is a lot of scope to improve the margins, and this is going to be the highest segment in our business, normally, like O&M, which normal works 16% to 17%-plus at EBITDA level and we're expecting this business to contribute more than the O&M business.
- Pritesh Chheda:** You have a fixed price, which has been -- you have quoted a fixed price, right?
- Jami Satish:** That's per ton, plus escalation, which works close to 4.5% to 5%.
- Pritesh Chheda:** Okay. Thank you very much, sir. I'll come back if I have more questions.
- Moderator:** Thank you. We'll move on to the next question. That is from the line of Mayur Bapodara, an Individual Investor. Please go ahead.
- Mayur Bapodara:** Congratulations for the good set of numbers. Actually, my question was around we now have 2 big MDO orders in our hands. So are we open to take any more MDO orders if it come belongs our way?
- Jami Satish:** No, sir. Now the stomach is full now, okay? So we have to streamline these two projects, and we have got our own other operations. So at least not for next five years.



**Mayur Bapodara:** Okay. And sir, my second question was regarding, so you said that we require close to INR 800 crores investment for this MDO 2, MDO, second order of MDO. So how much we are going to fund it through debt?

**Jami Satish:** We are working multiple combinations. One is the project-specific debt. Second is some equipment we can go for an outsourcing model. It's like a lease model and some in the form of equity. So it is going to be a combination of various structures. At least 70%, 75%, it has to come from the debt side. That's what we are planning. So probably next one week, to 10 days will have more clarity in terms of the capital structure.

**Mayur Bapodara:** Okay. And sir, on the order side, so we are targeting INR 10,000 crores of new orders in that we have close to INR 2,700 crores, we already received as L1 or level like that. So from FY '25 and FY '26 onwards for the bigger orders like INR 15,000 crores order inflows, how we are preparing our team execution team?

**Jami Satish:** Yes. So sir, '25, '26, we have kept around INR 11,000 crores to INR 12,000 crores. That's the target because we don't want to increase because the bandwidth now set is close to INR 900 crores to INR 1,500 crores, okay. the execution level. So gradually it is improving. Now we have got almost like 13,000 employees working with us on roll apart from that, we have got 12,000 employees. So in terms of infrastructure is well set, and we have kept a capex plan of close to INR 50 crores to INR 60 crores, which is a recurring every year we spend so that we have in-house equipment in-house.

And more importantly is the talent, one is like inducting the talent from the big companies, okay, that we are seeing a lot of people getting attracted to join Power Mech makes a lot of -- like even the MDO, we have created a separate vertical and almost like more than 200 people who have been recruited and the top level more than 20 people coming from Coal India, CCL, Singareni. And that will function as a separate SBU. And apart from that, the continuous training programs, okay, to groom the middle level and young leadership apart from the senior leadership, it's a continuous process. Now the process in terms of the in-house infrastructure is well set now to execute the projects.

So to target for INR 10,000 crores to INR 11,000 crores of order book and the execution is well set, this two MDO the team is set now. We have quite strong plans for next three years. Probably FY '27, '28, we need to consolidate where to move. That is the plan for now.

**Mayur Bapodara:** Okay. And sir, my next question, last question is regarding, so we are targeting from FY '26 to FY '27, close to INR 3,000 crores-plus revenue, which will be recurring. So on that, we are targeting so in operation and maintenance, we have close to 17% EBITDA margin. And you are mentioning that MDO EBITDA margins will be better than that. So close to INR 3,500 crores of our revenue will be 17%-plus EBITDA margin. So overall, doesn't our EBITDA margin will move upward of 15% close to 14% to 15%?

**Jami Satish:** See, FY '26 onwards, so there's a high probability that the margin profile, yes, it should improve. Okay. We used to work 13%, 14% four years back. So at least that number plus we should move



forward. There's high potential because there is a lot of scope to improve the margins in these two MDO. So there's high probability we should improve that at least three year's back margins.

**Mayur Bapodara:** Okay, sir. Thank you and congratulations for the future.

**Moderator:** Thank you. The next question is from the line of Riya from Aequitas Investments. Please go ahead.

**Riya:** My first question is in regard O&M order book. So since a couple of quarters, you've seen the tapering down so now when June quarter, I can see is only INR458 crores, while earlier it used to be around INR1,100 crores, INR1,200 crores-odd. So what would be the reason for the same?

**Jami Satish:** Yes. See, Madam, the order book, what you're seeing is the residual normal what happens is a contract is for five years, okay, and we bill it something which is subject to renewal. So, we take only the residual order book. If you see the gross order book is INR 2,500 crores plus.

**Riya:** Okay.

**Jami Satish:** Yes, so this year itself we are expecting close to INR 1,200 to INR 1,500 crores of orders that includes also the projects which are going to be renewed. So O&M it works on a gross level, but we take net because that's the billing whatever we do we deduct from the actual contract value. So, therefore the residual looks to be smaller.

**Riya:** But I think the earlier numbers are also the residual number like if I see March 22 numbers, the entire all the quarters were around..

**Jami Satish:** You are right because if the contract renewal to the additions, if there is a mismatch, the residual number will come down. But you will see that again it will pick up. But the gross order book is INR 2,500 crores. So, today it's INR 950 crores to INR 1,000 crores. This is expected to grow at least 15% to 18%.

**S.K. Ramaiah:** Kodandaramaiah here what I would like to say is that, as rightly said, these are all long-term contracts, say, two years to five years and all. The advantage in this is once we are established there, there is every chance of 90% of renewability of the same thing in many of the contracts and every year 25% to 30% of the contracts get revived. That is a recurring order happening on yearly basis.

Apart from that, the new opportunities, what we are making it in the existing profile of the projects, where we can also enter because of our background and experience, that will add up to the overall improvement in the O&M. And now international market is taking shape. For example, we have taken a long-term O&M contract in Nigeria where we have done the installation work of a 400-megawatt captive power plant with O&M worth more than INR100 crores.

And in Middle East last year we have booked maintenance jobs and specialized service jobs about INR150 crores. So that gives us the base that we'll be able to improve the international O&M business also. And then domestic, now there is going to be a lot of emphasis by the public



sector utilities also to enter into the long-term O&M outsourcing as a model because the private sector is driving the benefits that our presence of 68,000-megawatts, is helping us establish with the public sectors like bring up under long term O&M of 3x660-megawatt Ghatampur than many other projects also in pipe line for long term O&M .

As I told about the O&M, these opportunities are opening in the government sector also and private sector also renewals will come. That is one of the reasons the present backlog will certainly grow. One information is that -- in the last one month we have received another INR200 crores of O&M orders in the domestic market itself from Adani group & Reliance Infra from Sasan power plant etc.. And the opportunities what we are tracking in many of the plants this one as we told you to improve the O&M position.

**Riya:** And actually, I think you mentioned in your opening remarks, but could you tell me the debt number not audible?

**Jami Satish:** Yes, see the debt is close to INR 490 crores that is the gross and net is INR 284 crores which is more or less what it was 31st March.

**Riya:** Yes that's it from my side. Thank you so much.

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

**Deepak Poddar:** Yes, namaskar. Many congratulations, sir, for a great set of numbers, actually. I mean, I've been looking at the company for the last one year, two years. The way you have scaled up is commendable, sir.

**Jami Satish:** Thank you, sir.

**Deepak Poddar:** Yes, sir my first question is on your O&M. I mean, O&M, what sort of margins we are currently doing in O&M?

**Jami Satish:** So in domestic, it's working in the range of 16.5% to 17.5%, some 18%. In international, it's slightly larger, but the volume is too small. Dangote, that's the first project where we could able to go to crack a three-digit-sized contract. Now, Maitree we have got. So, that is the number. So, the blended it works around 16.5% to 17.5%.

**S.K. Ramaiah:** Yes, one more aspect in this O&M, perhaps I should have shared that. The drinking water projects what we are implementing is for t INR 3000 crores. Now once the commissioning starts in the villages by the end of the year. There is going to be a revenue stream which will come on the O&M side of the drinking water based on the capitalized cost, up to 3%.

That means if the present projects are fully implemented in the next one and a half years, perhaps we can get additional revenue of INR 100 crores in the O&M itself from the drinking water systems for the next 10 years with escalation.

**Jami Satish:** That will be one of our initiatives in non-power.

**S.K. Ramaiah:** Yes, that is a very good initiative on the non-power.



- Deepak Poddar:** But I also wanted to understand, is there any scope to increase the margin in O&M? Ideally O&M does involve a very higher margin, right? So, do you think that the 16%, 17% margin can be increased, basically?
- Jami Satish:** Sir, honestly, in domestic, we have to see that that number is maintained, because we have to factor the employee cost which is almost like 64% plus of the cost, the way the employee escalation in terms of the employee cost and all, inflation and all. But there is a possibility in international markets because we have to see how much we can scale up.
- At least next 2 years, 2.5 years, we are targeting INR 250 crores to INR 300 crores of that size. So, with the support of international, yes, there is a possibility, but as far as the domestic is concerned, we have to see that that number is maintained.
- Deepak Poddar:** Okay, okay, understood, I understand, and when you mentioned this FY 24 as we are looking to convert 37% to 40% of opening order book. So, INR 5,000 crores to INR 5,500 crores of execution level we are looking at with this FY24?
- Jami Satish:** 37% to 40% of opening and plus there could be some conversion from the new order. So, more or less we are targeting that number. Because first of all, maybe the first 6 months the 35% to 40% conversion, thereafter, the residual 60% conversion should happen that's how. So, we are targeting that number.
- Deepak Poddar:** 5,500, around plus minus somewhere.
- Jami Satish:** No, in the range of 37% to 40%, because it's quite difficult to specify the number.
- Deepak Poddar:** Yes 37% to 40% of your 13,300 something.
- Jami Satish:** Range we are converting, Yes we are planning, that's true.
- Deepak Poddar:** Sir, excluding MDO order, right? I mean INR23,000 crores minus INR9,300 crores.
- Jami Satish:** It includes a small portion of maybe INR100 crores of additions. Yes, that's all because we don't see much addition happening this year. It's more of like project mobilization and execution will start this year. So, the big conversion will come from the next year onwards.
- Deepak Poddar:** Correct. And post this FY24, you did mention that FY2'5, 26, you are looking at 35% CAGR, 35% plus CAGR in revenue, right FY'25 and 26?
- Jami Satish:** Yes, sir.
- Deepak Poddar:** Okay, okay. That's quite good. And I also wanted to understand on your MDO, you mentioned O&M plus MDO1 plus MDO2, this put together INR 3,000 crores revenue potential from FY'26 onward, which will be our sustainable recurring source for next maybe what 25 plus years right. So, do we see any risk in this INR 3000 crores the revenue that we are looking at?
- Jami Satish:** The first two years because the O&M it's like it's tested model okay this INR 1,000 to INR 1,100 crores which is now itself we are converting. So, assuming that international may not grow



significantly, 15% to 18% growth also we can reach by FY'26 to close to INR 1,400 crores, INR1,500 crores plus this MDO's too, because what is important is we need to develop these two projects first two years.

It takes time only in the initial development period. Once it's done, thereafter it's like a recurring model. So, we are working towards that. What is important is to set up the initial infrastructure and KBP we need to set up the coal handling plant where we got that expertise to set up CHP that is not a challenge. And secondly, Tasra, we have to set up washery and CHP.

But having said that, parallelly the work can start, nothing stops on that. So, how to optimize the cost and improve the margins? Yes, of course, plus or minus, based upon the local risks and all, we need to see once the ground reality comes. Apart from that, we don't see any challenges because we have done a thorough analysis and we have worked in past in those localities, so we understand that locality quite well. And our expertise in terms of CHP construction and material handling is more importantly, and equipment management, and then large, massive earthwork where we have built that expertise last 10 years to 12 years. So this will help in a big way. So I don't see any surprises to happen.

**S.K. Ramaiah:**

Yes. What I would like to add, Ramaiah here is that, see, both these MDOs are linked with a very important import substitution coking coal. One is we are putting a coal washery in the case of Tasra and another is whatever coal we are producing in the KBP project will go for coal washery with the Central coal fields.

Therefore, that is a basic advantage and India is heavily dependent on the import of the coking coal from Australia, Indonesia, etcetera. And that is one of the main aims of providing these MDO contracts in a big way. And SAIL is directly doing it, Coal India is also doing it on a large scale. Therefore, there should be no risk in these two projects in the long term. And Satish as I said one difference between our MDO operation and others is that we have got considerable in-house capabilities in operation maintenance that one not many others have that.

Therefore, that becomes a value addition. And apart from that, we can do the project execution much better than others because we have got strong in-house expertise in construction also. And that should add up all the better margins in the long term.

**Jami Satish:**

More importantly now see, the imported coking coal is ranging from Rs10,000 to 13,000 even it is plus, okay. And the rate what they have structured, the KBP is almost like 900 plus and this is 3,565. So, there will be a tremendous pressure of the customer to implement this project because their buying cost is quite expensive.

**Deepak Poddar:**

Coking coal is a very important resource for any steel company?

**Jami Satish:**

That is an added advantage and both the customers are quite healthy. Seeing all these things, there is a lot of comfort on these two projects.

**Deepak Poddar:**

Correct, correct. Agreed, agreed sir. I mean even the margins that you mentioned are 13% to 14%, right potential by FY'26, I do see that there is upside risk. Because I think one, about 35 to 40% of your revenue will be driven by this MDOs and O&M, which will have 17% margin?





- Jami Satish:** Yes, sir. And even drinking water will add up revenue recurring on the O&M.
- Deepak Poddar:** Fair enough sir, I think that's it from my side. All the very best to you. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Anupam Gupta from IIFL Securities. Please go ahead.
- Anupam Gupta:** Hi sir, just one question. So your existing order book, almost 50% comes from the FGD projects from Adani. So, if you can give clarity on what's the status on those projects in terms of execution, in terms of payments?
- S.K.Ramaiah:** Around 800 crores we have done the ordering. The engineering issues and local configuration, because they're all retrofit projects, so naturally some configuration engineering and other aspects have to be lined up. Based on that, their progress will be further taken.
- Jami Satish:** Maybe see as of now like the engineering maybe first half we don't see much conversion to happen probably the second half in terms of ground conversion that we could see in the second half only.
- Anupam Gupta:** So, when you say 36% to 40% execution, effectively it includes that they should pick up in terms of execution, right, in the second half?
- Jami Satish:** Yes. Yes.
- Anupam Gupta:** But you don't see any issue in terms of payments or project getting cancelled or any of those things?
- S.K. Ramaiah:** No it is a must actually, the mandate is very clear. This is a international commitment to reduce sulphur emissions and then bring down the sulphur emission with the efficiency of 95% collection. And therefore, 211 lakh-megawatts of coal based plants out of that 1,69,000 identified and more than 1 lakh has been ordered, and there is no going back, and it is a national commitment.
- Jami Satish:** More importantly, it's a large-scale project. So we meant -- see based on our risk analysis, we wanted this project to be a cash-neutral project. So, at any point of time, we'll see that there is an advance clause which is interest free. So, there is surplus money with us. As part of the risk policy, we will see that the complete risk is the ring fenced and the cash is neutral. That is the model we are adopting.
- Anupam Gupta:** Sure that's helpful. Thank you.
- Moderator:** As there are no further questions I now hand the conference over to the management for their closing comments.
- S.K. Ramaiah:** I thank on what Satish has told on the various numbers and the business outlook what we have brought out and the interest shown by the participants. One is that we continue to be bullish on the market investments, both in the public and also private sector, in infrastructure, power sector,



then rural development schemes are like drinking water, and then roads, and then steel plants, then mining, iron ore mining, apart from the coal mining.

Then the international market should improve, particularly in the Middle East after the COVID. And that is where our O&M presence is getting well established in the international market in West Africa and also in the Middle East. And we have been looking for the new investments going to come up now in the Gulf area.

And then Bangladesh also is going to add up capacities. We are doing a major project and Bangladesh's plan is to gear up their capacity from the present 24,000-megawatts to nearly 40,000-megawatts, because they are power hungry. With all these aspects, perhaps we should look for a positive growth.

And then more important is that the cycle time of implementation and learning in all the diversifying areas, what we have done in power, non-power, apart from the traditional that has stabilized now and the manpower is well versed with the implementation cycle time, engineering management, engineering coordination, procurement and overall project execution, that should drive slightly better margins compared to the previous years, and that is why we are quite positive on this.

**Moderator:**

Thank you members of the management team. Ladies and gentlemen, on behalf of Nirmal Bang Equities, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.