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POWER MECH
Growth Unlimited

Date: 29.05.2024

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 Q4 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 Q4 Results of FY 2023-24 held on Friday, the 24th day of May,2024 at 3.00 PM (IST).

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

This is for your information and necessary records.

Sincerely,
For Power Mech Projects Limited

Mohith Kumar Khandelwal
Digitally signed by Mohith Kumar Khandelwal
Date: 2024.05.29 15:01:09 +05'30'

Power Mech Projects Limited
Hyderabad

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Company Secretary

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"Power Mech Projects Limited
Q4 FY'24 Earnings Conference Call"
May 24, 2024

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 24.05.2024 will prevail.

MANAGEMENT:	**MR. S.K. RAMAIAH – DIRECTOR, BUSINESS DEVELOPMENT – POWER MECH PROJECTS LIMITED** **MR. ROHIT SAJJA - PRESIDENT, BUSINESS DEVELOPMENT AND OPERATIONS – POWER MECH PROJECTS LIMITED** **MR. N. ARAVIND - CHIEF FINANCIAL OFFICER – POWER MECH PROJECTS LIMITED**
MODERATOR:	**MS. NATASHA JAIN – NIRMAL BANG EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Power Mech Projects Q4 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 an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Natasha Jain from Nirmal Bang Equities. Thank you, and over to you, ma'am.

Natasha Jain: Thank you, Steve, and good afternoon to all participants. Nirmal Bang Institutional Equities welcomes you all to the Fourth Quarter FY '24 Earnings Conference Call for Power Mech Projects Limited.

From the management team today, we have Mr. S.K. Ramaiah, Director, Business Development; Mr. Rohit Sajja, President, Business Development and Operations; and Mr. N. Aravind, Chief Financial Officer. I now hand over the call to the management for opening remarks. Post which, we can take questions from the participants. Thank you, and over to you, sir.

Nani Aravind: Thank you, Natasha Jain. This is Nani Aravind, CFO of Power Mech Projects Limited. I have with me S.K. Ramaiah, Director of Business Development and Mr. S. Rohit, President, BD and Operations. I welcome you all to the earnings call quarter 4 and 12 months of operations of FY '24.

The reported total income for the quarter 4 financial year FY '24 is INR1,312 crores against INR1,183 crores in Q4 FY '23, an increase of 11% year-on-year. EBITDA is around INR160 crores as against INR140 crores, a growth of 14%, and PAT is INR84 crores, which has grown by 12% compared to INR75 crores in Q4 FY '23.

The revenue mix for quarter 4 FY '24 is as follows:

Mechanical business has contributed INR176 crores versus INR148 crores in Q4 FY '23, showing an increase of 19% year-on-year growth. Civil business, including railway water distribution, contributed INR766 crores versus INR761 crores, almost flat. O&M revenues of INR350 crores against INR247 crores in corresponding period last year, registering growth of 43%. And electrical business, INR6 crores versus INR18 crores, a decline of 66%. Other income, INR10 crores versus INR9 crores in Q4 FY '23.

During quarter 4 FY '24, the distribution between domestic business and international business is 90% and 10%, respectively. Contribution from power sector remained at 49% and non-power contributed 51%.

Performance for the financial year '24.

The reported total income for FY '24 stands at INR4,234 crores against INR3,618 crores reported in FY '23, showing a growth of 17%. The EBITDA is INR524 crores as against INR421 crores, grown by 25%, while the profit after tax came at INR248 crores against INR209 crores in last year, clocking a growth of 19%.

Revenues from mechanical business were around INR692 crores versus INR606 crores in FY '23, showing a growth of 14%. Civil business, INR2,352 crores, (including MDO revenue of INR41 crores) versus INR1,995 crores in FY '23, grown by 18%. O&M revenues rose by 18% to INR1,109 crores as against INR930 crores in FY '23, and electrical business, INR53 crores against INR69 crores in FY '23, a decline of 24%. And the mix between domestic and international business is 92% and 8%. And the power and non-core business contributed equally FY '24, with 51% and 49% contribution, respectively.

With a better deployment of capital improvement in margins, the operating cash flow for the period is positive by INR204 crores. Net current days have come down to 112 days in FY '24 from 131 days in FY '23 due to increase in the realization of bills.

The debt levels are in control. As on 31st March 2024, the gross debt is around INR388 crores, and the net debt stands at negative INR155 crores. The debt equity ratio as on 31st March 2024 stands at 0.21 times. Order book status in the financial year '23, '24, the company has secured orders worth of INR8,759 crores, as against the set target of INR10,000 crores. The order backlog as on 31st March 2024 is around INR57,053 crores. If we exclude the 2 MDOs, the unexecuted order book stands at INR17,362 crores.

Improvement is also seen in overall margin profile. EBITDA margin has gone up from 11.62% in FY '23 to 12.37% in FY '24.Expectations for FY '25. Power Mech is well set to demonstrate execution and conversion in the range of 38% to 40% of the opening order book. In addition to that, revenue from MDO business also ramping up. There is a little bit of slowdown in some areas due to prolonged election schedule. We'll keep a conservative revenue growth target of 30% for FY '25. On the margins front too, the direction is on the upside. We will witness further improvement in FY '25. We will be close to achieve our peak margin levels in this year. Once the MDO revenue peak during FY '26, the margin profile will see a market increase.

On the order book side, we have set a target of INR12,000 crores for financial year 2024-25. Our focus will continue to be in industrial plant, operation and maintenance, railways and water. Going forward, O&M and MDO business will provide stability in revenues as well as margins in a significant way.

Now I request Mr. Ramaiah to update on the developments.

S.K. Ramaiah: Yes. Thanks everybody and good afternoon. As Aravind has given us the numbers on the revenue and then the present state of these operations, so we are happy to say the market is on bullish side and hoping the elections will take a positive turn. And in spite of the certain developments of the elections and all, we have done pretty well in the fourth quarter.

Now the order backlog has gone up from INR13,733 crores compared to last year to INR17,362 crores for 23-24. This is a growth of 26%, mainly driven by the civil side, O&M and Electrical. The backlog on Civil side increased from INR 6136 Crores to INR7,814 crores, an increase of 27%. But what is very interesting thing is the O&M side has taken a quantum jump. From a backlog of INR600 crores last year, it has gone up to INR2,197 crores, almost 266%.

And electrical also has come to life in a big way, mainly in the many jobs taken on the railway electrification jobs. The backlog has gone up from INR118 crores to INR930 crores. So that is a very positive thing in terms of the overall growth. Of course, mechanical, there is a small de growth, from INR6879 crores, to INR6421 crores . But in the case of the power and non-power, the backlog is INR11,145 crores for power. Non-power is INR6,217 crores. That ratio is continue to be in favor of the power side as on today(64% Power and 36% non-power)

Now what is important is we expect positive things in terms of investments and then a lot of projects are coming. In fact, we expect at least INR60,000 crores to INR70,000 crores of opportunities to be focused in this year on a regular basis in various sectors. And some of the positive things can be the power sector which is taking a quantum lift in terms of the gaps to be filled up in investments and installation are adding about another 60,000 megawatts from 218 kilo watts to say 280 gigawatts.

Already, BHEL have got a lot of orders in terms of new units coming up and , there were INR70,000 crores of orders with new capacity of of 10,640mw. Now the ongoing projects are about 25,000 megawatts. Now if that has to be bridged, at least another 40,000 megawatts on priority ordering has to be done, particularly by various developers, by the utility companies like NTPC, DVC and then private companies apart from State Utilities also. Therefore, that is where we expect a lot of order flow will happen in the power sector for new coal based power plants..

And then there is another important development that has happened. To just see how it can happen, apart from the identified projects in various power plants, NTPC plan for more than 13000 megawatts. Another utility is DVC, then , MPGC, Madhya Pradesh Generating Board, , then , Gujarat State Electricity Company and also UPVRNL for new plants . All these companies are also planning capacity expansion including Coal India.

For if these initiative mature, maybe the investments can go up to INR3 lakh crores to INR4 lakh crores additionally for the power side investment, and that should give lot of opportunities for PMPL .

We have got a lot of say in power sectors with our end-to-end solutions in civil, structural, mechanical, electrical, and even O&M also,. Now apart from that, the other infrastructure projects, what is very important is the investments in railways. In fact, railways and metro jobs , we have done extremely well. In fact, presently, we are expecting projects of INR2,500 crores.

And with three new projects of INR1,280 crores in South-eastern railway and the Central railway. That has got both the civil and track laying and also electrical component to the business. And then the new maintenance depots and infrastructure to be developed with various railway projects and then even for the metro projects also. Because now we have got experience of doing the metro project related to maintenance depot, it's going pretty well in Bangalore, INR427 crores. And type of projects, more and more projects will come up. In railways, we have seen last year the government allocation of budgets at INR2.5 lakh crores, and they will make a huge jump in the investments for the railway and the roads also. Lot more investments are happening.

For railways, roads, balance of the drinking water with nearly INR15 crores households have been penetrated as of today. We are doing a major job in UP of INR2,726 crores, and we continue to have opportunities in Madhya Pradesh, Maharashtra, Karnataka and Kerala also. Railways, then water systems, then urban renewal projects and sewage treatment plants the investments will continue

Then, apart from this, there is a major opportunity coming up in the private sector also in oil and gas sector and other sectors also. Therefore, and then there is one more area in the power sector what I would like to say, about 11,000 megawatts of plants are getting revived. We are already working on the ongoing revived projects at Angul 1050mw Atherna(1200mw), Meenakshi(1000mw) megawatt where we have taken jobs.

Now Amarkantak that is a 1,320 megawatts and then KSK, that is Mahanadi Project, also 3,600 megawatts are expected to be revived. For all these projects revived, that also adds up to the opportunities, apart from the new capacity additions.

Now, on the O&M side, the product mix has improved for the better, in terms of O&M order backlog. Major orders we have taken in Hindustan Zinc captive power plant of 182mw for Limited, INR229 crores, and then INR674 crores in the revived project in Meenakshi, which is of 1,000 megawatts, and Vedanta group involved in these two plants .

And then, the new projects which are going to be commissioned in Ghatampur, and then right through 2x800 megawatt KPCL Raichur project (Rs 163 cr, Ghatampur 3x660 megawatt of NLC(264 cr. Therefore, as the new projects get commissioned, the opportunity not only in the installation side and construction side, but the O&M side also will come up. And in the present, scenario unless, you know, the capacity addition goes up to 8000 to 10,000 megawatts per year, they cannot reach the 280 gigawatts by end of this decade to have a grid stabilization needed for the safety of the grid .

So, overall, what we can say is that, last year order booking was INR8,758 crores. We are aiming at nearly INR12,000 crores in this year. And then, that should be seen in the context of the new government coming up, and the more focused investments in infrastructure and also private sector investments. And it's expected a lot of private sector investments also will come up in various sectors.

And now, Power Mech is a highly diversified group into various sectors; infrastructure, construction, EPC jobs. Another important development is taking place is in the EPC sector, because what the government is feeling is that, particularly they have to see that the power sector jobs should go in a faster development mode. With some restructuring of major Power plants bidding instead of single EPC, to go for the Main plant and the Balance of Plant packaging and should provide more opportunities for larger share of the market.

And now, we have bid recently for the -- complete balance of plant for the Singreni 1x800mw Singreni plant in Telengana state based on the qualifications BHEL has provided, and BHEL will give a complete back-to-back if it takes shape finally. And then, there are a couple of other projects also will come up on similar lines. This can be considered as a quantum jump in Powermech's new initiative for the Balance of Plant packaging tenders expected in future also

Even NTPC is planning a change in the contract structure between BOP and the main plant work, so that they can have better control and execution through the subcontracting mode. And many other customers also, like DVC also is planning. And then, with these opportunities for us, bigger size of the power projects can come up, and that also improve the opportunities for us.

Thank you very much. I request Mr. Rohit, President BD, to give an update on the mining and other sectors.

Sajja Rohit: Thank you, Ramaiah sir. Good afternoon, everyone. I'll give a quick update on our mining activities. Coming to the two MDO projects that we're executing currently, the first MDO we have in terms of -- there were a lot of developments that took place over the last one year.

The first MDO project, which happens to be Kotre Basantpur. We have achieved forest clearance -- Stage 2 forest clearance on the 14th of March this year, and we have already obtained a clearance to take possession of lands over the next three months as well. So the request letter has been submitted to CCL for the declaration of the appointed date, which we are expecting to receive by end of this month also.

And we anticipate the mining activity starting from tree felling and overburden removal to start somewhere in the month of September. So the first revenues from this mine are going to start flowing in from Q3 of this financial year as well.

Coming to the second MDO, Tasra that we won with SAIL. We have achieved a production of around 2.88 lakh tons and dispatch of the same has started to SAIL. And the target for next year is around 1.45 million to 1.5 million metric tons, which is pretty achievable. We have also made a lot of progress with respect to the R&R Colony in the second mine.

Phase 1 of R&R Colony, we have to construct 190 units in 4.5 acres of land, and we are 70% through this process. And Phase 1 should be completed over the next three months. So this is an update with respect to both the mines. And I would also like to take this opportunity to summarize and highlight a few of our achievements over the past financial year.

So this year, we have entered into our Silver Jubilee, and our Silver Jubilee year has also coincided with PMPL achieving highest ever revenue, highest ever EBITDA and highest ever PAT. And we have also achieved the highest ever order booking this year. And the international business has shown strong growth, and it also looks promising. International O&M has grown by 55% compared to FY'23 to FY'24. And we have successfully raised funds for our mining projects by way of QIP, and our credit rating has improved from A to A+.

Thank you. And we can go ahead with the Q&A.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Mohit Khanna from Purnartha Investments. Please go ahead.

Mohit Khanna: Thank you sir for taking my question and congratulation on a good execution here. I had a question regarding the O&M segment. Your O&M order book has reduced to 3.5 percentage if I consider the MDO contracts as well. So what gives you confidence that the margins improve -- should improve from here this is my first question.

And secondly, what are the margins on the MDO contracts if you could just give me a ballpark, that will be helpful.

S.K. Ramaiah: Yes. One is the renewal of the projects that is going on whenever it comes, but what is important is that the -- how the new projects, new O&M projects what we have taken, I told you. That will have subsequently better margins Hindustan Zinc Limited INR229 crores, then, Meenakshi INR674 crores, Ghatampur and then KPCL. Power Mech has got a huge expertise and experience developing over the last more than 10 years in O&M.

And that should help us in seeing that the improvement actually O&M is a good business for us and with the improved order bookings and with better orders taken the margins profiles should improve and ,Another important development is that the drinking water scheme, what we're executing, we have done out of INR2,726 crores, we have done about INR1,300 crores.

Now once these villages are getting 100% completed, there is a separate order which is the part of the original order which was not captured earier . Now we have captured it of INR681 crores that has got an installation scope for facilities and then with completion of the facilities that also will come as a revenue stream for O&M operation for the next 10 years. Perhaps annually we can expect about INR60 crores to INR70 crores with better margins on the O&M order of Rs 681 cr for the Drinking water schemes being executed in UP.

And therefore and there's new projects which will be commissioned. Perhaps 25,000mw ongoing projects in the power sector will come from commissioning. Therefore, that also we are also targeting many new projects. The other O&M jobs are related to plant overhauls and then more than that the shutdown jobs and then the international business also is looking up for the O&M. Rohit is concentrating a lot of that that will add up to substantially to the AMC jobs.

Mohit Khanna: For FY '25 what should be our target for order bookings in the O&M segment?

S.K. Ramaiah: O&M we can say around INR2, 000 crores we can keep it.

Mohit Khanna: Fair enough, sir. And what are the ballpark margins for the MDO segment?

S.K. Ramaiah: Rohit?

Sajja Rohit: MDO, so we have two mines here. The first mine, Kotre Basantpur which doesn't include a washery. We are expecting an EBITDA of 18% to 20% once we reach peak rated capacity. And the second mine, SAIL one, we are expecting to do an EBITDA of 27% to 30% once we reach peak rated capacity which is 2 years from two financial years from now.

Mohit Khanna: Fair enough, sir. But when I see the numbers for Thriveni, Sainik and other guys those margins look quite low as compared to what you just quoted. So is there anything that I'm missing over there?

Sajja Rohit: No, I'll tell you because if you looked at our pattern in taking both of these MDOs, we have only focused exclusively on coking coal. These are both coking coal MDOs. All the other MDOs that mostly is the coal MDO less stripping ratios usually have EBITDA of 15% to 20%. People play around that region.

But since, one, we have a high stripping ratio here and also there are some risks with respect to R&R which automatically – innately get added to the margin profile. That's the reason to have better margin.

Mohit Khanna: And any target revenue on the feed capacity for MDO business in FY '26? What should be our revenue from the MDO business?

Sajja Rohit: FY '27 is our peak. FY '25, '26 -- yes, FY '27 is our peak, revenues will be...

Management: 4 MTPA roughly around translates into...

Sajja Rohit: Translates to INR1,800 crores to INR1,900 crores, sir. Both MDOs put together with the washery area. Price escalation it will come to INR2,000 crores.

Mohit Khanna: Thank you.

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

Pritesh Chheda: A few clarifications from your comments. So the MDO revenue booking on Coal India will start from quarter 3, right?

Sajja Rohit: Yes.

Pritesh Chheda: And the sale you have given a 1.5 million ton target of production that is also for FY '25?

Sajja Rohit: FY '25, yes.

Pritesh Chheda: So both these MDOs will start generating revenue this year?

Sajja Rohit: One already started.

Pritesh Chheda: One already started. Yes, yes.

Sajja Rohit: For the last year, we booked around INR41 crores. And this year we will do this 1.45 million to 1.5 million metric tons in FY '25. And KBP, the first MDO, is also going to start generating revenues from Q3 onwards.

Pritesh Chheda: Then you mentioned 30% revenue growth for FY '25 as your company target?

Nani Aravind: Yes.

Pritesh Chheda: That includes this revenue coming from the MDOs?

Nani Aravind: Yes.

Pritesh Chheda: How much have you assumed there on the MDO?

Nani Aravind: INR300 crores, we assumed, from both the mines together.

Pritesh Chheda: Okay. Will you make any EBITDA at this INR300 crores?

Nani Aravind: yes KBP mine is newly starting operations during the FY 25, so initial overheads will be there. and the Tasra, we can generate EBITDA margin in the Tasra.

Sajja Rohit: Yes, we can expect some EBITDA sir from both of these mines. But not the PRC, not the peak rated capacity EBITDA. Definitely, I think it will be -- the EBITDA is also going to ramp up with the ramp up -- ramping up of capacity. So initially, I think the first 2 years, KBP, you cannot really -- it will be in the range of 11% to 13%. And Tasra will be in the range of 14% to 16% EBITDA.

Pritesh Chheda: So I was just wondering whether you're mentioning margins will expand this year. So there is some EBITDA margins on this MDO business. And on the mix side, you will see some improvement coming from the O&M, right, in your overall revenue mix?

S.K. Ramaiah: Yes. Because of the better backlog of order.

Pritesh Chheda: Because of the better backlog. Will that push up the margins?

Nani Aravind: There's slight improvement in EBITDA margin, sir, not a big way, because right now, in the current year also, we are having 26% mix of O&M. So we are expecting the same O&M mix in the projected turnover also. And being MDO mix will be varying from 1% to 5%, so overall, there is a slight increase in the EBITDA margin, maybe by 0.3% to 0.4% percentage ratio probably around 12.6%, we will achieve the EBITDA during the FY '25.

Pritesh Chheda: And my last question is on the Adani order progress of FGD. What is the progress there? Because that's a INR5,000 crores backlog in your INR17,000 crores?

S.K. Ramaiah: Yes, I think the Udupi project is taking shaped well. Already, revenue has started coming there. There will be substantial progress. About INR1,200 crores of ordering has been done up on the Udupi project for major portion and also for engg and some supplies of Tiroda and Kawai also. And at Udupi , the work has also started on site works. The site has been fully mobilised for various site works. We expect at least INR300- 350 crores of revenue on that.

The only thing, the other projects, there are, as usual, maybe , local issues and then and then fitting up the layout as usually needed in all retrofit jobs. There are other layout issues can be there. Apart from that, some PPA issues also can be there. These issues are taking some time for resolution. But Udupi is going to be taken up. Perhaps the end of third to fourth quarter, things would improve for the other projects also.

Pritesh Chheda: So I didn't understand, sir, out of INR5,000 crores, how much is executed? How much will get executed this year?

Nani Aravind: So the FY '25 is projected around INR305 crores from the Udupi. So far, we have recognized INR157 crores revenue, Another INR300 crores, we are projecting from Udupi.

Pritesh Chheda: Then is this project now become a 5, 6, 7-year execution project of INR5,000 crores?

S.K. Ramaiah: It depends, FGD has got as we know -- right in the beginning, FGD had other interference issues and also –layout issues particularly the PPA is an important ingredient of the input required for execution of these projects.

And then second aspect is the layout issue because, you know, this has to be fitted into a limited layout just outside the boiler. And the old plans were not designed for FGDs, therefore they, they were decided conventionally. Now when they fit a new system which is the old layout, obviously, there can be some issues. That is where they are more cautious and taking some time.

And then perhaps once the elections are over, new government comes in, there is more push to come on that for the new investments also because 104 megawatt -- gigawatt ordering has been done, another 65 gigawatt ordering has to be done that also will get revived based on that. And that we have to see. I agree. There can be some aspects, we have to look into this.

Sajja Rohit : It won't , I'll just add to what Ramaiah sir, said. It won't be a 5-, 6-year window. If you look at Udupi, what we are executing currently. We are on track. There's only a delay of 6 months, I think, initially because of engineering approval delays from the client side. But otherwise, once we have proper clearances in place, it's just a matter of 22 to 24 months of execution cycle.

But naturally, I think there is this slowdown in terms of FGD across the country. So we can expect, we'll get better clarity, still shrouded, around Q3 this year is when we'll get to know what's going to happen to the engineering we did for these plants that we have been asked to slow down

Moderator: The next question is from the line of Rajesh Kumar from Right Shopping Private Limited.

Rajesh Kumar: Yes. My question was on your annual revenue.

S.K. Ramaiah: Yes.

Rajesh Kumar: Yes. My question was on your annual revenue. Annual revenue jump over last year over March '23 was around 18-odd percent. So what is the reason, actually, despite all the orders which are in hand, why there was lesser execution on the ground?

Nani Aravind: Can you just -- repeat?

S.K. Ramaiah: No. Can you say, yes. Can I hear the question again, sorry?

Rajesh Kumar: Yes, sure. I just -- I was comparing your annual revenue over '23 to '24, there is a jump of 18-odd percent only. Despite so much of orders in hand, what was the reason of less execution on the ground?

S.K. Ramaiah: Yes. One is the -- we have seen the -- there were some issues on the FGD front. That is a major portion of it. Second is the UP water scheme also. It is working on well, but what are the -- problems are like -- I won't say the problem, the issue is that every village is a project management , centre . And then it is village-centric development, even though the -- a lot of push is there, the capital is there and funding is there. There are some gap in this. But barring these two in mind and the rest of the teams on the O&M and other projects we have done quite aggressively. That is a major factor.

Rajesh Kumar: Okay. Well, in current year, what are you targeting the FGD order? How much FGD conversion would be there in the current year?

Nani Aravind: Around INR300 crores, we are projecting to the FGD for current year.

Sajja Rohit: Sir, we have only considered the current Udupi project that's under execution and for which we have full clearance to execute. So we have only considered INR300 crores -- out of Udupi. But if anything -- any other clearances, we get in Q3, will be a bonus.

Rajesh Kumar; But only till now out of INR4-odd thousand crores of order, what is the total billing done already?

Nani Aravind: See, out of the FGD works we started Udupi project only, Around INR157 crores billed so far. And we are targeting INR300 crores during the current year. So we have already issued a lot of work orders to our procurement vendors and also we're expecting that billing to the extent of INR300 crores during the current year.

Sajja Rohit: And all of the projects put together, we probably did around INR10 crores only for engineering and all of the expenditure we just billed for the engineering, sir, but nothing significant.

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

Riya: My question is will we see a resurgence in the electric works order intake. So where is this coming from?

S.K. Ramaiah: Yes, that has come mainly because we have taken INR1,250 crores of railway jobs., this is a combination of civil track working and also railway electrification. And the substantial portion of the jobs is the railway electrification, that's what I told you. There is a jump in our overall backlog of the orders for the Electrical segment, O&M, it has gone up substantially, that is the main reason.

We expect the electrical business also can have some improvements with the more of the railway jobs and then transmission and distribution projects coming into the business.

Sajja Rohit: Riya, yes, just add to what Ramaiah, sir, said, so we are still sticking to our strategy and objective of not aggressively expanding or tapering down our transmission and distribution in the electrical space. We are only focusing on these railway composite jobs that have some electrical and signalling and telecommunication components. A skill we have built over the last decade in executing various railway projects or standalone electric or S&T projects. So that's the only revenue increase that we have seen because this team -- we'll be assisting a civil team in executing the overhead electrification and the S&T part of the railway projects.

Riya: And in terms of the order intake for the quarter, are you seeing a little decline around INR3,000 crores -- on a quarter-on-quarter basis it's a little bit -- INR3,460 crores around. So is this on account of election or you're seeing a general time of declining order?

Nani Aravind: This is because of the election code of conduct. We are not getting new tender anouncements, and we were declared as L1 in a couple of the projects. we're waiting for the LOA copies to receive.

Riya: What would be the plan amount?

S.K. Ramaiah: The two L1 project status is there. One is for the Kaiga nuclear projects that is the steam turbine side building facilities, about INR570 crores, and then there is the on...

Nani Aravind: Foot over bridge, we were L1 and...

S.K. Ramaiah: Yes, that both of them will come around -- nearly INR700 crores both the orders together.

Nani Aravind: I think we can...

S.K. Ramaiah: INR700 crores nearly .

Riya Mehta: INR700 crores?

Sajja Rohit: For the current year, we are L1 in INR700 crores worth of projects, and we have bid for close to INR4,600 crores worth of projects that are yet to open. So that's -- we're expecting all these things in a gradual pace manner to open up after starting from first week of June.

So a couple of them have opened. We were L1, but we are waiting for the LoI copies, again, expecting in the first week of June, And the other orders are expected to open in the first week of June as well. You'll see that inflow -- the spill over of Q4, you'll see that inflow in the month of June.

Moderator: The next question is from the line of Bapodara Mayur an Individual Investor.

Bapodara Mayur: Congratulations on good set of numbers. Actually, my question was around FGD project. So the slowdown we are witnessing, it is due to any technical issue or it is from the client side or it is from our side? That I wanted to know.

S.K. Ramaiah: No, there is no delay from our side per se. I think I had told you earlier also. One is the engineering setup, which is required in an existing plant with an old design that has got challenges. The second thing is that the additional investment, any customer makes, he expects a revenue stream. For that additional PPA has to be worked out with the local regulatory commission and then the local distribution companies and all.

Therefore, they have committed already for this project and major ordering has been done for Udupi -- and as we said, the third or fourth quarter, the other projects also should come into some execution stage..

Bapodara Mayur: Okay. And are we bidding for any other FGD projects? How FGD tendering is going on in other areas -- other power plants?

S.K. Ramaiah: Yes, it has to come up because 104 out of 169 gigawatts of the planned FGD, 104 gigawatts have been ordered. And then the total commission is about 10 gigawatts as of today. Now there is a general -- little bit of slowdown of so many things are there in this because it is a new technology and then retrofitting, then so many other issues can be there.

But now as a learning process is done and more plants are getting commissioned. Perhaps it should improve. And then balance 64,000 megawatts ordering they have to push it up, now.

Bapodara Mayur: And what is the deadline from the government for this FGD?

S.K. Ramaiah: I think this is the international commitment from our country All the latest limit is for 2026, earlier it started in based on COP2015 and that continues to be there to reduce the emissions, both in the SOx and NOx. In fact, when we have a net zero commitment -- national commitment by 2070. These investments have to happen.. FGDs are key to that which has been taken up in the last few years.

Only the typical of this type of things, the investments have to be matched by the revenue stream also. That is where -- after all, the power has to be sold to the public and somebody has to pay for that. That is where the -- these things have to be sorted. And the government will definitely have to push for that.

Sajja Rohit: Yes. And the Indian deadlines are for Class A cities, it's 2026. Class B cities, it's '27. And Class C, it's '28. So we are expecting, I think, probably after elections, there may be a push up by a year more of these deadlines. So we are just -- we have to wait and watch.

Bapodara Mayur: Okay. And sir, regarding the MDO projects, two quarters like -- we are not planning for any new MDOs. So right now, are we planning for any new MDOs to participate in?

Sajja Rohit: No, sir. No, no. No new MDOs. Until we reach peak rated capacity of these MDOs, we don't plan to bid for any new MDOs.

Bapodara Mayur: Okay. So beyond 2027?

Sajja Rohit: Yes.

Bapodara Mayur: Okay, sir. That's it from my side. Thank you.

Sajja Rohit: Thank you.

Moderator: The next question is from the line of Khadija Mantri from Capri Global. Please go ahead.

Khadija Mantri: Yes. Sir, my first question is regarding the FGD systems. I was wondering that if more orders are awarded in FY '25 for FGD. But when you already have an order book of INR5,000 crores for the states. So do we have enough resources to take on more orders in the FGD segment? Or we will be confined because you already have large volume and addressing the segment?

S.K. Ramaiah: I think as far as the resource is concerned -- but we have developed a HR resource base. We have got 32,000-33,000 HR base. And the widest mix of experience in the areas of Civil, structural mechanical, engineering coordination etc apart from the huge expertise we have developed in O&M. Now, as far as the plant construction and other aspects is concerned, procurement, we are strengthening those groups also. And then in plant construction, we are perhaps, a leading player in the country.

And we have delivered projects after projects on time. And that's why we are getting repeat orders from many of our valued customers, it's only because of this. Recently, some of the orders on the power sector side has come specifically because of our standing in the market of our ability to complete the projects in time.

I think that is not a constraint at all of Power Mech. We're well equipped with all the resources and equipment and also the expertise what we have developed in diversified segments and then that is well in place.

Khadija Mantri: Also, have you received any orders from BHEL for the Singareni plant in NTPC one?

S.K. Ramaiah: Yes. BHEL recently Talcher we take INR355 crores order. That is the NTPC job 2x660. Then in Mahan we have taken INR825 crore for the site works. BHEL supply order on the -- supply order has been got from the Adani Group, whereas the site work of INR825 crores, civil and mechanical work they have given to us.

And BHEL has -- in fact, Madam, I can say BHEL is standing with a new order of INR70,000 crores for 10,640 megawatts, as I told you. All these things will come for tendering in terms of Lara, Talcher, and Talabira also they got recently INR19,422 crores. Yamuna Nagar, they got recently INR5,000 crores, then Raigarh and then Mahan. And then new orders also expected DVC, Raghunathpur and other jobs also, they can come, perhaps BHEL is in the front line, unless the tendering structure changes. Therefore, we are quite bullish on the power sector and also BHEL.

Khadija Mantri: Okay, sir. And my last question would be regarding this MDOO project for the order size that we have arrived at, does it consider all the price escalation? Any risk business for long-term projects. So how did you arrive at the let say the order size and what kind of and what kind of IRR that you are looking for in these 2 projects?

Sajja Rohit: Ma'am, this price doesn't naturally include price escalation. This price is exclusive of price escalation, whatever we have set, the INR30,000 crores of the sale projects that we won and also in the first mine. And see these tenders are usually based on a per ton of coal basis. So all the -- we have to initially -- There's going to be a development phase of 2 years. And -- Yes. Can you hear me?

Khadija Mantri: Yes.

Sajja Rohit: So there's going to be a development phase of 2 years, and we'll be progressing with some interim mining during the development phase. We have to slowly ramp up the production facility to deliver this much amount of coal on a year-on-year basis until we reach PRC, after which, we reach the steady state operations, and we have to produce and gives that amount of coal for the rest of the life of the mine. That's how the pricing in mining work.

Moderator: Thank you. The next question is from the line of Dinesh from RDST Capital.

Dinesh: First of all, congratulation on good set of numbers. My question was related to MDO. So when we say we are going to reach peak operations in maybe the next like 2 years or 3 years. So what kind of revenue then margins you'd expect from these 2 MDOs?

Sajja Rohit: So both MDOs put together, Dinesh, I've already mentioned earlier, I think, in Q&A, INR2,000 crores without price escalation as of today's price and EBITDA of 17% to 20% in the first mine and EBITDA of 27% to 30% in the second mine. This is starting FY '27 onwards.

Dinesh: Just another question related to this. Do you have any consortium here or like the whole project is carried over by Power Mech Company itself?

Sajja Rohit: No. We had to form a consortium to bid for the project since we didn't have the credential -- all the credentials to participate. But execution-wise, both the projects are completely being executed by us with technical support from our partners in both the consortiums.

Dinesh: Okay. So do they also share some of the revenues there in that project? Or is it like 100%?

Sajja Rohit: 100% our revenue. They don't share.

Moderator: The next question is from the line of Natasha Jain from Nirmal Bang Institute.

Natasha Jain: Yes. Sir, most of my questions have been answered. Just these two questions. One is can you give us the breakup in terms of the order inflow for each segment for fourth quarter?

Nani Aravind: For fourth quarter. Okay. Mechanical, we received around INR525 crores. Civil around INR1,360 crores, O&M INR739 crores, electrical INR702 crores, and overseas around INR218 crores, total together, INR3,546 crores.

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Natasha Jain: Understood. And sir, lastly, now that you've answered all about all these segments and how the order book is looking like. So at a consolidated basis, can you tell us what is now your revenue guidance stands in the medium term, maybe FY '25 and '26?

Nani Aravind: So the '25, we are projecting around 30% growth in revenue, maybe around INR5,500 crores range. FY '26 after that, we're expecting order inflow of INR12,000 for the FY'26. So most likely, we may plan again 25% growth on the FY '25 numbers, maybe around INR7,000 crores, we can target revenue by FY'26.

Natasha Jain: And sir, lastly, any capex that we are looking to do? Or just the maintenance capex?

Nani Aravind: Yes. In PMPL regular equipment and all around INR100 crores capex, and washery of around INR240 crores. So around INR340 crores we are planning in Power Mech capex during the current year.

Natasha Jain: Thank you. Sir, that's all from my end. All the best.

Moderator: Thank you. The next question is from the line of Mohit Khanna from Purnartha Investments. Please go ahead.

Mohit Khanna: Yes, sir, I had a follow-up on MDO. So when you just mentioned that these contracts don't include any price escalation. Does that mean that our EBITDA margins are -- would likely to go down as the contracts age? Because -- or how does it work?

Sajja Rohit: No, sir. I said this -- the value that we have declared doesn't include the price variation. It's unaccounted. But there is a price variation clause in the contract. So whenever there is an increase in diesel price, whenever there's an increase in the consumer price index, we naturally get a price variation based on a formula that's set out in the contract.

Mohit Khanna: And you get paid as per the quantity of coal that you mine?

Sajja Rohit: Yes. The quantity of coal that we mine and we – give at the delivery point in a prescribed size, according to the contract.

Mohit Khanna: And this pricing is dependent on the coal price?

Sajja Rohit: No, not at all. There is an off-take risk here. So irrespective of the coal price or the general economic scenario, they'll still have to compensate because we are building our extra effort to achieve PRC. They have to take this from us. If they don't take this from us, there are other clauses that will kick in, compensation clauses.

Moderator: The next question is from the line of Sunil an individual investor. Please go ahead.

Sunil: Sir, a small question, the capex, since you have mentioned for the maintenance and all, will be funded through internal approvals or?

Nani Aravind: This INR340 crores of capex – regular INR100 crores funded through by raising around INR60 crores to INR70 crores of term loans, balances through internal accruals. And washery capex of INR 240 crores, we have earmarked funds, we raised for INR240 crores through QIP for washery investment. So we are using that funds of the washery.

Sunil: Thank you so much. Sir, that's all from my side.

Moderator: Thank you. The next question is from the line of Satyan Wadhwa from Profusion Investment Advisors. Please go ahead.

Satyan Wadhwa: Could you guide us to what the tax rate is likely to be in FY '25 and FY'26?

Nani Aravind: We are projecting around 25% to 26% will be the tax for FY 26 and 27

Satyan Wadhwa: And even in FY'25 as well?

Nani Aravind: Yes, sir.

Satyan Wadhwa: And overall margins will be similar to what they are now? Or do you expect some uptick going forward, based on the current order book and execution plan?

Nani Aravind: Rightly, there is a 0.3% improvement, sir. The PAT rate will improve compared to the last year because of the tax rates. So there will be improvement in the profit margin during FY'25.

Satyan Wadhwa: Sorry, I was asking about EBITDA margin not PAT margins.

Nani Aravind: Yes, 0.3% increase will be there in FY'25 compared to the FY'24.

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

Natasha Jain: We would like to hand over the question to the management for closing comments.

S.K. Ramaiah: Yes. Thanks, everybody. Thanks for the participants. I think we have seen a significant improvement in the previous year in terms of overall order bookings. And with the new policies of the government and the focus on the investment coming in the private sector and infrastructure continue to push and power sector opening up and then exports also, we are looking at new opportunities.

Perhaps we should look at improved order booking and also the margin status has improved . And we should reasonably do well in -- this year, and we have got a strong base of INR17,362 crores that should help us to achieve the revenue, what has been projected and with the margins, what has been informed by Aravind. And we look forward that the Power Mech's growth growth will continue to maintain in the coming years also.

Natasha Jain: Thank you, sir. On behalf of Nirmal Bang Institutional Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.