Date: November 18, 2024

To
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Through: NEAPS
Symbol/Security ID: POWERMECH

To
Dept. of Corp. Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001
Through: BSE Listing Centre
Security Code: 539302

Dear Sir/Madam,

Sub: Transcript of the Conference call with Investors / Analysts pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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With reference to the subject cited above, please find enclosed the transcript of the Conference Call with Investors / Analysts held on November 13, 2024, on the Q2FY25 performance of the Company.

Kindly take the same on record and acknowledge the receipt.

Thanking you.
Yours faithfully,
For Power Mech Projects Limited

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"Power Mech Projects Limited
Q2 FY'25 Earnings Conference Call"
November 13, 2024

MANAGEMENT:	**MR. S. KODANDARAMAIAH – 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 INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Power Mech Projects Limited Q2 FY '25 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 Institutional Equities. Thank you, and over to you, ma'am.

Natasha Jain: Thank you, Dorwin and good afternoon to all participants. Nirmal Bang Institutional Equities welcomes all of you to the Second Quarter FY '25 Earnings Conference Call for Power Mech Projects Limited. From the management today, we have Mr. N. Aravind, Chief Financial Officer; Mr. Rohit Sajja, President BD and Operations and Mr. S. Kodandaramaiah, Director, Business Development.

I would now like to hand over the call to the management for their opening remarks, post which we shall open the floor for Q&A. Thank you, and over to you, sir.

N. Aravind: Thank you, Natasha. So I have with me Mr. Ramaiah, Director, Business Development and Mr. Rohit Sajja, President BD and Operations. So I request Mr. Rohit to start the opening remarks and then I'll start the presentation.

Rohit Sajja: Good afternoon everyone, and thank you for attending the investor call. So I would like to start by giving an overview of the order book initially and also a picture of the new order inflows that we are expecting for the rest of the year and then I would like to touch upon the mining operations briefly, and I'll hand over the call to Aravind to talk about the numbers.

So this year, we are targeting an order intake of around INR12,000 crores across various sectors, namely power, non-power, civil infrastructure and water sectors and as of 30th September 2024, we have secured orders worth INR3,100 crores. And taking the total order backlog to INR58,000 crores or a little over INR58,000 crores. And excluding both MDOs, our unexecuted order book stands at INR18,402 crores.

And we have bids for INR8,900 crores worth of projects in the pipeline that we have picked for and the results of these projects are expected to be announced in the next 3 to 4 weeks.

And apart from this, we are also seeing over the last 1, 1.5 years, we have been seeing a considerable amount of growth in the power sector and with close to 80 gigawatts of capacity addition planned by 2032. Of this, around 37 gigawatts has been tendered and around 43 gigawatts is yet to be tendered. This translates to a potential opportunity of INR86,000 crores for Power Mech in the civil and mechanical workspace and that too only the construction.

This includes both the boiler turbine generator areas and also the BOP Civil and mechanical areas. And we are also targeting the BOP EPC space would translate into an opportunity size of INR2.1 lakh crores for the next 4 to 5 years. And apart from this, we are also actively exploring a few opportunities in the green hydrogen space, especially the SECI tenders that have come up for the green hydrogen derivatives. So this again, we have tied up with a few electrolyzer manufacturers and then we are in advanced stages of forming partnerships with them.

Looking ahead, we expect to expand our order book in line with our growth plans over the next 5 years, focusing on our core sectors like power and infrastructure, while also diversifying into green energy.

And talking a little bit about the MDO business. We have made significant progress over the last 1 year in both MDO projects. And this year, we have secured the Tasra mines. The first Kotre Basantpur Mine we have secured all the permissions, and we are about to break ground probably in the next 3 to 4 days. We have secured the forest clearance also to start with the tree cutting activity. So we expect to extract the first coal produced in the month of January or February this year.

And Kalyaneswari Tasra is also gaining momentum. We have completed equipment mobilization for initial mining activities and also received environmental clearance for setting up a 3.5 metric tons per annum capacity washery. OB removal and coal production is going on, and till date, we have done around 382 tons of coal production.

Now I request Mr. Aravind to update on the Q2 and half yearly numbers.

N. Aravind: Thank you. Good afternoon to all. The performance for quarter 2 and 6 months for the financial year continued as per our set targets for the entire year. The reported total income for Q2 financial year 2024-25 is INR1,035 crores against INR937 crores in Q2 FY '24, an increase of 12% year-on-year. EBITDA is INR134 crores as against INR118 crores as a growth of 13% and PAT is INR67 crores, which has grown by 31% compared to INR51 crores in Q2 FY '24.

So on quarter-to-quarter basis, Power Mech has demonstrated improvement in overall margin profile. EBITDA margin has gone up from 12.57% in Q2 FY '24 to 12.78% in Q2 FY '25. PAT margin has gone up from 5.47% to 6.43%.

The revenue mix for the quarter 2 FY '25-

Mechanical business has contributed INR229 crores against INR148 crores in Q2 FY '24, showing an increase of 10% growth. Civil business, including railway, water distribution contributed to INR395 crores against INR496 crores in Q2 FY '24, a decrease of 20%. O&M revenues are INR391 crores against INR272 crores in corresponding period last year, registering a growth of 44%. Electrical business, INR9 crores against INR17 crores, a decrease of 47% year-on-year. Mining business, INR12 crores against 0 in Q2 FY '24. Other income, INR10 crores against INR5 crores in Q2 FY '24.

During the quarter 2 FY '25, the distribution between domestic business and international business is 95% and 5%, respectively. Contribution from the power sector remained at 66% and non-power contributed 34%.

Similarly, the total reported income for 6 months of FY '25 stands at INR2,062 crores against INR1,808 crores in half year FY '24, an increase of 14% year-on-year. EBITDA is INR257 crores against INR223 crores, a growth of 15%. PAT is INR127 crores against INR102 crores in half year 1 FY '24, a growth of 24% year-on-year.

On a half year to half year basis, Power Mech has demonstrated improvement in overall margin profile. EBITDA margin has gone up from 12.31% in FY '24 to 12.45% half year FY '25. PAT margin has gone up from 5.66% to 6.17%.

Revenue mix for 6 months-

Mechanical business has contributed INR331 crores against INR258 crores in half year FY '24, showing an increase of 14%. Civil business, including Railway, Water Distribution contributed INR937 crores against INR989 crores in half year FY 24, a shortfall of 5%. O&M revenues are INR732 crores against INR524 crores in corresponding to the previous period, registering growth of 40%.Electrical business, INR17 crores against INR25 crores, a decrease of 32%. Mining business, INR26 crores against 0 during the last year. Other income is INR19 crores against INR10 crores during the last year.

During half year FY '25, the distribution between domestic business and international business is 94% and 6%, respectively. Contribution from the power sector mentioned at 60% and non-power contributed 40%.

So, as the financial parameters are concerned, net current excluding cash and cash equivalents have increased from 142 days in Q1 to 147 days in Q2 due to delays in certification of the works and delays in realization of receivables mainly from the Water division, resulted in increase in the current assets of the company.

The debt levels are in control as on 30th September 2024, the gross debt is around INR611 crores and the net debt stands at INR64 crores. The debt-equity ratio as of 30 September '24 stands at 0.34x.

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

S. Kodandaramaiah: Yes. Good afternoon everybody. Good afternoon Rohit and Aravind, my others colleagues here. Thanks to this call today. I think Rohit has given an overall picture of where the company is going in terms of the growth patterns and then the revenue side and also the opportunity side in the future. Aravind has given the financial numbers.

I think we shall continue to be bullish on market opportunity and availability of opportunities and also the bidding opportunities available. The overall order backlog at the beginning of the year was INR17,362 crores, it has gone up to INR18,402 crores, upwards of nearly 6%. And the bulk of the booking has happened in O&M side, that's a very positive sign. With the order backlog which was on O&M, which was INR2,197 crores at the beginning of the year has gone up to INR3,326 crores, almost 51% upside.

I think O&M is one of the key areas of our strength in the operations for topline, not only topline but more important the bottom line, that's a very positive sign. Of course, in the Mechanical and Civil the the overall - backlog remained the same. And with overall order booking done about INR3,055 crores in the first 2 quarters.

The domestic order backlog is around 98.7%. The international operations of 1.3%, mainly related to lot of O&M jobs, which we are pursuing in the Middle East and also West Africa. And the power sector order backlog is about 68% and the nonpower sector is about 32%. That shows very well that the power sector is driving the growth and the opportunities are available.

Of course, non-power sector is comfortable, non-power sector which has many opportunities, which we have entered in a big way in the last 7, 8 years that continues to be of importance to our growth strategy.

But some of the key areas of the developments I can say, to start with on the power sector, I think we all know the market is becoming very bullish in the face of EPC/BTG orders coming out for BHEL and L&T. And obviously, this is linked with the huge demand gap, which can happen between the coal-power and also non-coal power that is the renewable power, which is expected to bring the widening of gap by 1930-32 leading to grid disturbance and also power outages.

As a precaution, government has taken a lot of advance actions in terms of ramping up the capacity of the coal- based plants to work as a backup on baseload operation and also for day night operation. And that is why lot of orders are coming out.

And we have seen in the last 10 months to 1 year perhaps beginning with Lara, where BHEL has taken the NTPC order and then followed with Talcher, Singrauli, then Talabira by NLC, Neyveli Lignite Corporation, then Yamunanagar by HPGCL, then a lot of orders from Adani side, totally Adani has ordered about 10,920 megawatts in the last couple of months, mainly in BHEL for the main plant,and then NTPC has ordered about 11,580 megawatts. This I am giving a background of 1 year, and then a lot of things have happened in the last couple of months. and the HPGCL, 1 unit of 800-megawatt of Yamunanagar, DVC at Koderma, 2 units of 1,600 megawatt, then NLC 2400mw Talabira ,and the project is moving little bit slow.

Therefore, that shows the power sector the ordering status has gone up to almost of INR128,000 crores for the BHEL itself. Therefore, BHEL is flooded with orders. And recently, the development is the bulk orders NTPC called for Nabinagar, Gadarwara and Telengana, so totally 8 units, that L&T was L1. But as a part of the tender conditions, there was an opportunity available for BHEL to bid in one of the projects to match the L1 price that has already been confirmed now that is Telengana project, around INR1,6000 crores going to BHEL.

Therefore, overall ordering, which has been done by all these customers, Adani, HPGCL, DVC, NLC, NTPC for about 35 sets, comprising 27,300 megawatts comes to almost INR155,000 crores with about INR27,523 crores is for L&T, and INR1,28,982 cr to BHEL.

For that indirectly translates a huge opportunity base for us in terms of the ETC business, in terms of civil works, structural work, ETC works some of the balance of plants works in terms of coal handling facilities or balance of plants civil works and then the more and more sets operated and all this commissioning, then O&M opportunities also can materialize. So from a ballpark basis and a rough calculation of what we figured out is the opportunity size for the future is in the power sector it can go more than INR30,000 crores in various areas of the installation, civil structural, mechanical work and then other areas also in the non-power sector.

Apart from that, there are BOP opportunities coming because NTPC has taken a principled stand for split the EPC of the entire plant in two areas, the main plant is civil structures in the area and the balance of plant and for this balance of plant opportunities also will come up, and we are in the process of looking at the opportunities and some of the projects like Singareni which is coming up in Telangana. And then in the future when the NTPC comes out, we have to drive with some of the partners, how to build upon all those opportunities. Of course, Telengana EPC tender of 800mw, we will be aggressively pursuing that opportunity that has to come with the BHEL because BHEL is bidding with SCCL side, we have to see how this takes shape.

And then there are other tenders also which have been called for this EPC and other tenders like OPGCL, Odisha then Ukai in Gujarat, then MPGCL Amarkantak, MPGCL Sarni, Singareni in Telengana that I have told you. Because NTPC has got a mandate to complete their portion of the ordering and also capacity addition to meet need of 26,000mw by '3032. So that will be another 11,440 megawatts the tenanting process which is in progress. I expect that except for 4,800 megawatts, most of the balance tenders will be finalized by end of the year, it should be, another 6 months should be possible. That will bring up another INR20,000 crores of opportunities in the power sector segment itself for Power Mech .

Now on the plate, we have got about INR24,000 crores worth of various opportunities being in bidding stage and also up for submission in the power plant side, in the drinking water schemes and then in various other non-power segment areas, that is why going with confidence what is the future for more opportunities. Around INR3,500 crores of orders will fortify in the next couple of months, or 3 months maximum. And then we are still bullish on meeting that targets based on the opportunity   available with so many tenders, which we are bidding around INR24,000 crores.

So these are the major things what we have to say. Then O&M, we have seen a significant improvement. In fact, we improved order backlog of O&M by 50% at the beginning of the year to midway and this bodes well for improving the topline and more importantly for the bottom line. And some of the key things that have happened is the major projects at Talwandi we have taken 3x660-megawatt, that is about INR951 crores is one of the largest O&M offers we have ever taken in the market, therefore, a 5 year contract therefore, that is why this year the overall O&M order booking about nearly INR1,860 crores,, and that speaks well for future in the growth for the profitability also.

And some more O&M projects are also expected in this year in the other segments also, the railways and I told you about the power sector and then other infrastructure side. And other bit of major investments, I can just briefly tell.

The steel sector, a lot of investment is going to come up. ISCO Burnpur with the investment of INR30,000 crores for 4.5 million tons capacity and there can be opportunities in our side of the work in civil structural and installation business. Then Bokaro also is expected to come up with investments. And then Rourkela is also plan for expansion investment. And there are opportunities in the Middle East also JSPL is planning to invest INR30,000 crores in the 5 million tons capacity in Oman.

We have got a presence in the Middle East also and Rohit is rigorously pursuing those things. Particularly, we have got a huge HR base also in handling dozens of projects in installation, then maintenance, operation maintenance, etc. And we have got a background of work of about 7,000 megawatts of thermal sector power plants across the spectrum in the Middle East. That presence and expansion should help us to see if new bigger investments come, we can also try to get in there.

So this is on the overall perspective. Then the balance investments will continue to flow in the railways, we expect another couple of years approval be there with a huge investment of INR1.5 lakhs crores to INR2 lakh crores of road sector more than INR2 lakh crores to INR2.5 lakh crores.

Then drinking water residual orders have to be completed now perhaps under new Amrut scheme or whatever is there it comes.. These opportunities also will be available. And now the company is quite diversified, widely spread out, and then we have got the organization also built up. In fact, the present organization strength both direct and indirect labor has gone up by about 10% to meet the new businesses, which has come not only in the power sector, but also in the O&M and other areas. That is what I would like to say in the start. Thank you very much.

Moderator: We have the first question from the line of Omkar Chitnis from Trade Brains.

Omkar Chitnis: My first question is, I want to know on MDO business. Because Geological Survey of India has identified several lithium coal sights and Indian government has plans to call a tender for lithium coal sight for coming years. So are we working on developing additional expertise in mining in comparison to the traditional mining operations in India and globally?

Rohit Sajja: Yes. Thank you. Thanks for the question. So right now, our entire focus perhaps is to bring both of these mines to steady-state operations or peak rated capacity, which is 9 million metric tons per annum, and we expect to achieve this in 2028. And we are not looking at other mines at the moment, other MDOs or other coal blocks or mining in any other form. And lithium, we did some work on it. And so lithium requires a different skill set, different expertise to mine and extract.

Omkar Chitnis: Okay, sir. Understood. And my second question is on expansion in global market, particularly U.S. In the case of Trump administration in the first term, he emphasized more on infrastructure development and energy. Are we expecting same infrastructure development in the second term in the U.S. so that we can get more opportunities to enter U.S. market? And any partnership are you planning in U.S.-based reforms?

Rohit Sajja: No, sir. No. Right now, we are not looking at U.S. as an expansion strategy, especially for the infra business.

Omkar Chitnis: Okay. Okay. Sir, my last question is, earlier you guided a revenue growth of 25% to 30% for FY '25. What specific strategies have been implemented to achieve this target, particularly based on the current market conditions and competition, sir?

N. Aravind: Sir, we have an opening order book of around INR17,362 crores without MDO business, and we have target for the current year, we are planning to order inflow of around INR12,000 crores . So we have a history of converting the opening order book of 35% to 40% conversion into the turnover.

So with that basis, we projected the revenue of 30% growth in the current year. So in '23 also, we have achieved this 30% target from '22 to '23. So that is easily doable target. So we are confident of achieving this number during the current FY.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Sir, on the coal MDO side, I'm seeing continuous delay in the project in terms of execution. So, now both these projects, where exactly are we? And for your peak run rate, so how close are you now to generate those peak run rates? Or what will be your revenue and PAT around the 2 projects combined in FY '25 and '26?

Rohit Sajja: Yah, yes. The first mine with Central Coal Feeds Limited, which is a 5 million metric tons per annum one, which we named as Kotre Basantpur, there is a slight delay. There was a delay of 4 months, because of central elections and now state elections. But right now, we are in a position. This week, we have mobilized our resources, and we are expecting to start our work any moment. We're just waiting for the last clearance to be obtained, which shall be obtained anytime soon.

And this mine, initially, we expected to do around INR50 crores of revenue this year, sir. So even if we start supplying the first batch of coal in the month of January, if we start extracting overburden in the month of December, which we expect to do by December first or second week after the tree cutting activity is done.

So we are on track to doing INR50 crores in this mine. So next year's plan is to increase the capacity to 1.5 MTPA metric tons as per the contractual agreement. And we'll do a revenue of INR300 crores to INR310 crores, depending on price variation.

And this mine is expected to reach PRC (Peak Rated Capacity) by 2028. So we'll peak in revenues in 2028. And the second mine, which is named as Kalyaneswari Tasra Mine, which is a SAIL mine, we have already started extracting coal, and we have extracted 380,000 metric tons till date from February 2024 to October 2024. And this trend is only going to increase going forward.

In terms of washing capacity, we are running a little short because SAIL doesn't have complete offtake of this resource that we are able to extract. But the situation is going to improve from January, February onwards, and we were able to achieve only INR26 crores until Q2. But the next 2 quarters, there's going to be a significant increase in revenue numbers in this mine. It may touch INR150 crores to INR160 crores. And this mine again, is expected to achieve PRC, peak rated capacity) by middle of 2027, 2028. That's when our washery will also be constructed and we'll start obtaining the full mining fee.

Pritesh Chheda: This INR160 crores you mentioned is full year or H2 for SAIL?

Rohit Sajja: So it is for H2, H1 it is INR28 crores.

Pritesh Chheda: So it is INR160 crores plus INR28 crores, so for full year, it will be INR188 crores?

Rohit Sajja: Yes, sir, yes.

Pritesh Chheda: Okay. Can you tell us the PAT number for the Coal India mine next year at INR300 crores revenue?

Rohit Sajja: Sir, initially next year, because the PAT is going to be a little less until we achieve PRC, it's more so investments that we have to pull in from our side. So it will have in the range of 6% to 7%. But once we achieve PRC, the PAT is going to improve significantly, substantially all the way up to 12% to 13%.

Pritesh Chheda: So you will achieve the peak rated in Coal India mine in FY '28, right? And you will achieve the peak rated in SAIL mine in FY '27?

Rohit Sajja: In middle, towards the end of FY '27 or middle of FY '28.

Pritesh Chheda: Okay. And this 25% revenue guidance that you gave, you give that with the FY '25 will be without coal numbers or with the MDO numbers?

N. Aravind: This including coal MDO numbers.

Pritesh Chheda: Including.

N. Aravind: Yes, INR5,500, including coal numbers.

Pritesh Chheda: The next question is from the line of Sandeep Dixit from Arjav Partners.

Sandeep Dixit: Just a couple of questions. First, on this guidance of INR5,500 crores in the current year. So if I just note the numbers, you are looking at a 40% revenue growth in the second half. Am I right in my calculations?

N. Aravind: Yes.

Sandeep Dixit: Where is this growth coming from? I mean...

N. Aravind: The FGD, we have done around INR52 crores during the Q2 and the remaining are the new orders we received from Mahan and Athena new projects. O&M, we received new projects during the Q1 last year, new orders we received from the various projects.

Sandeep Dixit: So basically, what I'm taking away is that you have very high visibility on this INR5,500 crores number. Chances of disappointment are extremely low. Am I right?

N. Aravind: Yes.

Sandeep Dixit: Okay. Sir, second question was on the mining operations. You mentioned in the previous answer that the margins will be 6% to 7% until you reach peak capacity, peak rated capacity.

N. Aravind: It's a PAT margin.

Sandeep Dixit: It's a PAT margin, not an EBITDA margin.

N. Aravind: Not, EBITDA, it's PAT.

Sandeep Dixit: Okay. So, what would be the EBITDA margin in that case?

Rohit Sajja: EBITDA blended will be PRC. When we achieve PRC, it will be blended EBITDA of both the mines together will be around 20% to 22%.

Sandeep Dixit: I think you had mentioned that in earlier calls.

Moderator: The next question is from the line of Anant from Mount Intra Finance.

Anant: I just have one question. There is inflow of INR3,055 crores. However, there is a revised order you have included for. Am I right in my calculation? Or...

N. Aravind: Your voice, we are unable to get you.

Anant: Yes. So your order inflows are at INR3,055 crores for up till H1 '25. However, I see there's a revised order of INR593.99 crores from Uttarakhand Pey Jal Nigam Limited. Is that also included in this current order book?

N. Aravind: Which project you're referring, sir, which order?

Anant: A particular order, INR594 crores from Uttarakhand Pey Jal Nigam Limited. You disclosed it on 22nd July '24. So this seems to be a revised order. And as per my calculation, this is...

N. Aravind: Yes, INR230 crores revised order intake. So that is also included, yes.

Anant: So that essentially a double counting, right? This order was received in April '23.

N. Aravind: No, my opening remarks I have taken only the difference value of INR230 crores. Change of scope value only i have considered in the present orders.

Moderator: We have the next question from the line of Pratik Shah from Nirmal Bang Equities.

Pratik Shah Yes. Sir, my first question was regarding to the recent slowdown in the steel sector for the last 3 to 6 months. Have we received any order booking from JSPL that you were expecting or we are expecting any delays in the capex?

S. Kodandaramaiah: Yes we have received an order of INR76 cr from JSPL Angul. I think this IISCO Burnpur is taking shape. Actually, they are first focusing on the supply orders. Because supply, we had some discussions with the Russian company also. Of course, there are qualification issues are there. But the construction and the construction partner contracts will following another 4 to 5 months. And there can be opportunities about nearly INR4,000 crores to INR5,000 crores.

Of course, we have to see which the packages of importance to us there are. But these investments are on the firm footing. And their growth also will come up. expanding on material handling and other sites also and then we have to, of course, overall outlook is that SAIL wants to double up the capacity from 25 million tons to 50 million tons, something like that. .

JSPL, what I told about Oman is a firm investment committed under Vulcan Steel fully invested to be done by the JSPL. And we can take a call based on the opportunity and also what is the type of work that will be available, which can be doable there. Of course, what I referenced having done the work in steel plant in Dolvi, Bellary and JSPL Angul and with those references, we can make a try.

Pratik Shah Okay. Got it, sir. My second question was for the capex for Power Mech for '25 and '26. Could you give any guidance on that?

N. Aravind: To meet our regular revenue growth targets, we are increasing the capex of normal assets of around INR100 crores capex increase we are expecting during the year. Apart from that, we received the washery environmental clearance approval during the month of October 24. So, there is a requirement of INR690 crores overall capex plan for the washery setup for Tasra project, over a period of next 2 years' time, we will incur this INR690 crores overall capex in Power Mech books.

Moderator: We have the next question from the line of Manthan Zaveri from Nexus Securities.

Manthan Zaveri: So my question was regarding the order inflow. So you are guiding as of now between INR11,000 crores to INR12,000 crores of order inflow. And as of now, till date, we have received order inflows of INR3,000 crores. So what gives us confidence of achieving that in H2 or remaining 7 months of this calendar year any large orders?

S. Kodandaramaiah: Yes. INR24,000 crores of opportunities are on the track. It is a combination of power plant side and then the nonpower sector, in the infrastructure side, then metro side, drinking water schemes, etc.. Around INR3,500 cr are on the firm side should happen in the next 2 to 3 months.

And then the other things also should come up. And actually, in the power sector also about the new orders should come up because all the ordering which has been done by Adani, they are making a lot of inquiries. They are interested in our partnership and all and we are working in Mahan and with the new projects coming up in Raipur, Raigarh, Mirjapur and also Kawai, all these projects will definitely come because they will take a faster decision.

And then BHEL with a total order booking on the power sector itself about nearly INR128,000 crores. They also have to do a lot of fast tracking in the ordering also. Therefore, there also it's expected. Therefore, what happened in the first 2 quarters, there was some slackness mainly because of the elections, the main elections and then the state elections and all. But the third and fourth quarter lik3 last year also similar thing happened. The order book improved in the third and fourth quarter. And looking at the opportunity size only, we are still confident of those numbers.

Manthan Zaveri: Fair enough, sir. And sir, on the MDO side, so what can be the expected revenues at peak capacity in FY '28 from both the mines?

Rohit Sajja: INR2,100 crores, sir.

Manthan Zaveri: And this could be achievable in FY '28 from both the mines?

Rohit Sajja: Yes.

Manthan Zaveri: Okay. And the other thing was regarding the Adani FGD orders. So are the FGD orders still slow moving? Or is there any traction reinstate?

S. Kodandaramaiah: No. As on today, it is going on. We all know, matter is sub judice. There are certain views expressed by different segments of the government also. Ultimately, the call has to be taken by the Supreme Court. But what we can say is that like NTPC has taken a firm decision to implement 58,000 megawatts of FGD implementation. Therefore, there is a background of that we are doing in Udupi project of INR963 crores. And that some INR300 crores of conversion should happen in this year. Therefore, till anything has to come very firmly from the judicial side, we will take it that these things will stand.

And I think there is a lot of sensitivity attached to this aspect of the environmental issues. Therefore, Supreme Court also will take a very measured decision on that. I think until then, we don't want to make any news, that we'll be proceeding with whatever is available.

It is to some extent, yes, it is slow moving because of the ambiguity attached with the Supreme Court judgment waiting and also some of the recommendations made by some of the government agencies.

Manthan Zaveri: Okay. And so of the Adani FGD order of INR6,000 crores, which was approximately INR6,000 crores, how much execution has been done?

N. Aravind: Right now, we are operating only Udupi project, sir. We have done roughly around INR200 crores worth of work we have executed so far .

Manthan Zaveri: Okay. So this order book of currently INR17,000 crores, how much will be the FGD of this component?

N. Aravind: If you keep aside the Udupi project, which is running, the balance INR4,200 crores from Kawai, Tiroda and Mundra projects.

Rohit Sajja: Out of INR18,000 crores, INR4,200 crores is all these other slow-moving projects.

N. Aravind: Without FGD, around INR14,000 crores orders are running projects.

Manthan Zaveri: Okay. And INR14,000 crores, like if we end FY '25 at approximately INR15,000 crores or INR16,000 crores of slow moving, and we expect 30% or 40% conversion of these orders in FY '25. Is that correct?

N. Aravind: Yes, addition of the new-year target of 11,000 addition will be there for the current year. Out of INR3,000 we received. So another INR9,000 crores we are projecting current year receipt.

Moderator: The next question is from the line of Tanay Rasal from Nomura.

Tanay Rasal: Sir, my question was relating to the thermal power plant that was being tendered out by NTPC yesterday. So those 3 power plant are worth around INR80,000 crores. So what will be our scope of work? And what is the opportunity size for our growth?

S. Kodandaramaiah: What I have touched upon in the beginning is to be brief on that, the order flow which has come on BHEL and L&T together is about nearly INR155,000 crores in the last 1 year. And L&T to proceed with about 4,000 megawatts for Nabinagar and Gadarwara for INR27,523 crores. And BHEL also today, the news headline has come also about the Telangana job of INR16,000 crores also because they had an opportunity to match the L1 price.

Even though in all the 3 plants, L&T was L1 , under tender conditions BHEL is getting another order of INR16,000 crores from Telangana that is boosting up for this one. For this there are segments of the opportunities on the ETC business that is the installation business of the main plant equipment and then the civil and structural work. And then some of the balance of plant works in terms of where you can take coal handling and other areas and balance of plant civil work.

Apart from that, that itself comes on about INR30,000 crores of opportunity. Apart from that, what BHEL and Adani have to do is that the Adani has only placed order on the main plant that is the BTG for about 10,900 megawatts. Now all these plants for facility, the completion of the main plant, they have to order the balance of plant work. There a lot of other miscellaneous work like coal handling, material handling, then ash handling, then water systems and all. Those will also come for tendering. And we have to see where we can fit in.

But NTPC also called tenders for 6,400 megawatts, which there now almost everything in this is in the pipeline for both BHEL and L&T, this also balance of plant, they have to tender it out. That they cannot delay it. That also will come as an opportunity. And more than that, I told you another, 11,440 megawatts tendering is in the pipeline that has to happen. Therefore, over the next 2 to 3 years, 2 years, at least, there will be a lot of flow expected on the power sector business.

Tanay Rasal: Okay. But what is about time line like when BTG is tendered out? So when is the balance of plant usually gets tendered out to you? Any time line you can...

S. Kodandaramaiah: Balance of plant, they should be doing it because they cannot delay it in a couple of months, it should happen because already they would have done the documentation, maybe they have to call the tenders and what the packaging they want to do it a single package or a multiple packages that has to be seen by NTPC. Whereas, in the case of Adani, they have got enough capabilities to do package-wise tendering in terms of various areas like mechanical, electrical and then civil packages and structural packages. But also they will be starting it all those areas.

Moderator: The next question is from the line of Sunil Kothari from Unique PMS.

Sunil Kothari: I'm a little new to the company. So would you like to talk something more about -- it seems the opportunity is very huge, maybe in 1 or 2, it will accelerate for next 4, 5 years. So which are the area where you feel you require to strengthen your inside capability in terms of management team, equipment, capex. Where you feel you require to create more capability?

Rohit Sajja: Yes. Thank you. Thanks for the question. We are working towards increasing capability in the civil space especially, because it's a relatively compared to what our core activities in the power sector, especially mechanical works that the company was founded on. So civil works is what we think we have to and we are working on it. We have been enhancing our teams, especially at the leadership level and also at the ground level, execution teams. And we are also gearing up to add more engineering capability within the organization.

So to take up more engineering procurement and construction contracts, not an entire power plant, like Ramaiah said and I had touched upon earlier, parts of a power plant where we think we can build on our 25 years of experience. Like BOP is something that we thought we could do. So we are trying to build some engineering expertise for the next 5 to 10 years to be able to cater to decent amount of BOPPC jobs.

And naturally, I think O&M, we are making good strides in the O&M space, operation maintenance of power plants, but we feel there's still a lot to do in terms of skill enhancement and the kind of power plant, thermal power plants, especially that are going to come up over the next 5 years to 10 years. So we need to be ready with numbers. More than quality of skills, we need to be ready with a number of people because the last 10 years have seen a lot of people not join this sector. There is a dearth of talent.

Sunil Kothari: And something you can talk about just covering your vast experience of the past and the industry, which made a lot of mistakes and get so much in a trouble. So what has changed? What precaution we are taking that we do not make mistakes? Or we even if there is something wrong, we can come out maybe a little with a little injury. Because ultimately, infrastructure and related all these things, over time, it creates a very challenging environment in terms of competition, in terms of payment, in terms of project stalling and all things. So how prepared and ready we are with our past experience that we will not make mistakes and we will take care for future?

S. Kodandaramaiah: I think as Rohit has said, we are a 25-year-old company, a lot of learning has gone into the system. And perhaps on the O&M sector, perhaps we are in the front side. We are the leaders in doing the things. And we are not keeping quiet with that. We are trying to strengthen the organization setup on the quality and the skills of the people. That is where the valuation comes there.

But in the overall perspective, particularly in the normal installation job, there is a challenge, even though it is a routine job, but a lot of bull work is required in terms of proper resource planning equipment deployment. Our planning and project management systems have to be always be on track. Of course, we have got a very robust system on that.

Perhaps it is front led by Mr. Kishore Babu himself many times. He goes to the sites and sees the problem solving approach and Rohit also is doing the same thing and we have got a lot of leaders in different segments. We have got 10 SBUs, for example, which are s in the various segments and all who are specialized in various areas, and that specialization is being strengthened in terms of engineering, procurement also with some of the staff that we have taken with a lot of experience.

But from the customer side, the major issues are the fixing the overall scope definition of the project, that is a very big task. Particularly the standard packages of power plant, there is nothing big a challenge. Like Adani is doing like a very routine thing because they are quite used to it. NTPC is quite used to it. BHEL the problem with BHEL, they've got a huge capacity, 15,000 megawatt capacity. They've got a lot of quality people. Everything is there. Only thing the supply chain and their working capital, that is where this type of projects can have some issues here and there.

And more or less, in most of the sites, the problem, what happens, we are seeing many of the projects are delayed due to access issues because the land is not fully available. There are other statutory clearances are not taken. Forest clearances are not there. Right of the way is not there.

And then these are the things when you interface when the project starts with a clean slate, then the project will go faster. But when the project is taken and 50% land, the progress will be hampered, then the problem starts. Then the whole thing gets a little bit of an issue with delays and all those things.

The proper integration of engineering, supply chain, manufacturing and more importantly, the construction, which is our specialization that has to be integrated. Ultimately, customer has to do and everybody has to do their duty into that. But we are doing things better. I don't think those days are gone where projects will take with much of delay. Power plants are being put up in 3 to 4 years now. And then even railway jobs and then road projects are also coming very faster. We are also experiencing that. We have done many of the road projects and the railway jobs. They are doing 24 railway jobs. A lot of learning is there, and it is doable.

Therefore, the challenge comes when we do with engineering, supply chain side, that is where a lot of care is required, a lot of working capital management are required, a lot of pushing around the engineering and supply, procurement and execution has to be properly interfaced. And the same thing goes up also in the customer side also. They have to do ordering in time. They have to get the access to site, then they have to find their engineering specifications, tender specifications in time. All these things are standard practices, which has to be followed. But sometimes there are some delays that we have to make it up somehow.

Tanay Rasal: Great, sir. Just last question. How do you see competitive scenario happening or changing now?

S. Kodandaramaiah: You mean to say our area of the business?

Tanay Rasal: Yes, sir.

S. Kodandaramaiah: No, I will tell you 2, 3 areas. Perhaps in the power sector, we are the peers now. I can boldly say that because of the strength we have established. In fact, today, the capacities what we built up in supervision, engineering people, site execution and then supply chain in terms of the labor, piece rate workers, we can say around 15,000 to 16,000 people are deployed on the various sites for the labor itself. That shows the strength of the organization. Perhaps very few organizations have got that capabilities.

Therefore, that drives us into the front compared to the others, particularly with the private customers like Adani. Even BHEL also doesn't feel that they have got such a big competition because so much of tendering has to be done, nearly about 23,000 megawatts, they have got on their plate and their capacity is 15,000 megawatts on paper. Of course, over the years because of the lack of interest in the power sector, the annual capacity has come down to 3,200 megawatt per year. Now they have to ramp up to 8,000 megawatts to 10,000 megawatts, then 12,000 megawatts to 14,000 megawatts in next 3, 4 years. Then only these 80,000 megawatts can be achieved by end of the decade. Therefore, these are the areas everybody has to hope in and get across their act.

Moderator: The next question is from the line of Manthan Zaveri from Nexus Securities.

Manthan Zaveri: Sir, on this MDO order, you said that INR2,100 crores will be the peak revenues in FY '28. So from FY '28 onwards, this INR2,100 crores will be recurring revenue for every year? Or is there some different calculations from FY '28?

Rohit Sajja: Yes, sir. It's going to be an annual recurring revenue for the next 25 years, excluding the price variation.

Manthan Zaveri: Okay. So approximately INR2,000 crores will be recurring revenue for the 25 years from these mines. And this won't be related to offtake.

Rohit Sajja: It won't be for 25 years. I'm sorry. It's going to be for 23 years because we are in 2 years for development, yes.

Manthan Zaveri: As our order book is gaining traction in O&M side, and you also mentioned that O&M has relatively higher margins than our other segments. So is there any scope of further improvement in margins? We have been consistent around this 11% to 12% band. So is there any further scope of improvement since our O&M order book is improving?

N. Aravind: Yes, sir. There is a possibility because the moment we increase our O&M segment and MDO segment added to the portfolio, there is an expectation of 1% to 1.5% growth in EBITDA margin over a period of next 3 to 4 years.

Rohit Sajja: And overseas is also contributing quite significantly to our O&M revenues. Last year, we did overseas O&M of around INR200 crores. And this year, we anticipate to do INR235 crores to INR240 crores. So we -- you can expect to see the same trend over the next 7 to 8 years, overseas O&M growing at a rate of 30%, 35% CAGR. And the EBITDA margins are in the range of 17% to 19% in the overseas.

Manthan Zaveri: Overseas O&M is 17% to 19%, you're saying?

Rohit Sajja: Yes.

Manthan Zaveri: So can we expect improvement in H2 of FY '25 in EBITDA margins?

N. Aravind: Yes, sir, because the turnover will be more in H2. So the O&M also new projects we added during Q2. So there is a chance of getting more margins in O&M side. So we may get more margin improvement in the half year also.

S. Kodandaramaiah: One more thing, the new installation job, which is coming up in the boiler and turbine packages, the realization of the rate per ton is better than the previous years. That can also bring some better margins.

Manthan Zaveri: Okay. And sir, since we are operating these 2 large MDO orders. So in terms of capability and operational capabilities, is this somewhere hampering our bidding in other lines of business or it's not affected in terms of manpower and everything?

N. Aravind: No, these 2 MDOs we are operating under separate SPV, sir. So there is a separate manpower, we are handled by the separate team. So Power Mech team is only supervising as a promoter. We are monitoring the operations of the SPVs. So there is no impact on the mining operations on the existing MDOs.

Moderator: Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Ms. Natasha Jain for closing comments. Over to you, ma'am. Ms. Natasha Jain, you are not audible.

Natasha Jain: Yah. Thank you. I would now request the management to give closing remarks, if any.

S. Kodandaramaiah: Yes. I think we have touched upon many aspects of the business growth, the opportunity size available, the revenue growth and the EBITDA margins, it should be further strengthened in the coming months.

What we can say is that the investment climate is pretty good in the power sector, in the nonpower sector, railways, infrastructure and then other segments also. Therefore, the Company continues to be bullish on its growth path, INR4,200 crores last year, and we should touch upon INR5,000 crores around that or a little bit more in the last 2 quarters on how the revenues will be ramped up.

And Rohit has given a broad spectrum of the order flow expected. And I think of the opportunities available, we should try to get whatever is possible. And then the opportunities available will be more in the coming years, the government is fully committed for more and more investments in energy sector, infrastructure sector and then so many other sectors and then steel sector also.

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Therefore, we have to see the green hydrogen, which Rohit has touched upon. Therefore, there are new segments also is coming up. And then we keep focusing on new segments. That is one of the USPs of Power Mech. We'll always look for new opportunities, and that is how our growth should be sustained. Thank you very much.

Natasha Jain: Thank you, sir. That concludes the conference. Participants can now disconnect their lines.

N. Aravind: Thank you.

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