Dated: 11th February, 2025

The Manager
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C-1, Block-G
Bandra Kurla Complex, Bandra (E)
Mumbai- 400 051
Symbol- SKIPPER

The Manager
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai- 400 001
Scrip Code- 538562

Subject: Transcript of the conference call on Unaudited Financial Results for the Quarter ended 31st December, 2024

Dear Sir,

In accordance with Regulation 30 read with Schedule III of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we are forwarding herewith the transcript of the conference call with Investors and analysts held on 6th February, 2025, on Unaudited Financial Results of the Company for quarter ended 31st December, 2024.

We request you to kindly take the aforesaid information on record.

Thanking you,

Yours faithfully,
For Skipper Limited

Anu Singh
Digitally signed by Anu Singh
Date: 2025.02.11 12:07:37 +04'00'

Anu Singh
Company Secretary & Compliance Officer

Encl: As above

“Skipper Limited

Q3 FY '25 Earnings Conference Call”

February 06, 2025

MANAGEMENT: **MR. SHARAN BANSAL – DIRECTOR – SKIPPER LIMITED**
MR. SHIV SHANKAR GUPTA – CHIEF FINANCIAL OFFICER – SKIPPER LIMITED
MR. ADITYA DUJARI – GENERAL MANAGER FINANCE AND INVESTOR RELATIONS – SKIPPER LIMITED

MODERATOR: **MS. NIDHI SHAH -- ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Skipper Limited Q3 FY '25 Earnings Conference Call hosted by ICICI Securities 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 touch-tone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Abhijeet Singh from ICICI Securities. Thank you, and over to you sir.

Abhijeet Singh: Thank you. Good evening, everyone. Today, we welcome the management of Skipper for discussion of the Q3 FY '25 performance. Management team is represented by Mr. Sharan Bansal, the Director; Mr. Shiv Shankar Gupta, the CFO; and Mr. Aditya Dujari, GM, Finance and IR. So over to you, Mr. Sharan for opening remarks, and then we will open the floor for Q&A.

Sharan Bansal: Thank you, Abhijeet. Good afternoon, everyone, and welcome to Skipper Limited quarter 3 FY '25 earnings conference call. I'd like to extend my gratitude to all our investors, analysts, stakeholders for your continued interest and support. Before we proceed, I would like to remind you that certain statements made during the call may be forward-looking in nature, and should be reviewed in conjunction with the risk and uncertainty associated with our industry and businesses.

I am pleased to share that our company continues to deliver strong and consistent performance, maintaining its trajectory of order book expansion, revenue growth and profitability improvements over multiple quarters. Some of the key operational and financial highlights in comparison to previous year quarter were as follows. In quarter 3 FY '25, we achieved our highest ever third quarter revenue of INR1,135 crores, reflecting a remarkable 42% year-on-year growth.

The sustained growth was primarily led by our engineering business, which continues to benefit from strong demand, a diversified client base and best-in-class manufacturing capability. On the profitability front, our consolidated EBITDA increased by 44% year-on-year to INR110 crores, with operating EBITDA margins improving to 9.8% from 9.6% last year. Finance cost as a percentage of sales improved to 4.4% from 4.9%, reflecting better working capital efficiency and improved working capital management.

Consolidated PBT grew by 67% to INR48.4 crores, with a PBT margin of 4.3%, while PAT increased by 76% to INR36.1 crore, transmitting to a PAT margin of 3.2%. For the 9-month period, we recorded our highest ever revenue performance reaching INR3,336 crores, a 57% year-on-year growth.

Our export revenues increased by 36% to INR594.6 crores, now contributing 23% of our engineering segment revenue, highlighting our growing presence in international markets. Meanwhile, our consolidated PAT surged by 80% to INR101.4 crores with PAT margins improving to 3%.

Moving to our order book and business outlook. We continue to build strong visibility for future revenue growth. In quarter 3, we secured INR1,318 crores of new orders, taking our year-to-date order inflow to INR3,743 crores, a 19% year-on-year increase. Our order book now stands at INR6,354 crores, reflecting a near all-time high backlog and reinforcing our leadership in the domestic power T&D segment with major contract wins from power grids, various state electricity boards and private TSOs.

Additionally, as we expand our global footprint, our international order pipeline is poised for acceleration backed by rising infrastructure investments and increased manufacturing capacity. The Indian transmission and distribution sector remains in a high-growth phase, fuelled by the government's focus on renewable energy integration, grid modernization and large-scale electrification initiatives.

Our qualification to execute high-voltage EPC projects at 765 kV and 800 kV gives us a distinct competitive edge, making us one of the few companies in India of undertaking these technically advanced projects. According to CEA, the power transmission sector is expected to witness investments of INR9.15 lakh crores by 2032 with interstate transmission line additions projected to grow by 30%. This presents significant long-term opportunities and Skipper is well positioned to capitalize on these sectoral tailwinds.

Furthermore, the global transition towards renewable energy, electrification and carbon neutrality presents a multi decade growth opportunity. And our strategic investments, strong execution capabilities and deep industry expertise will enable us to play a pivotal role in shaping the future of power infrastructure.

In line with our growth and diversification strategy, we have embarked on expanding our EPC capabilities beyond transmission lines to include substation EPC, an area that offers significant margin potential and strong demand prospects. We are favorably positioned to secure our first major substation EPC project, marking an important milestone in our infra growth journey.

Further, as part of our commitment to operational excellence and digital transformation, we are in advanced stages of implementing SAP S/4HANA RISE, a next-generation ERP platform that will drive efficiency, scalability and real-time decision-making across our operations. This strategic move is aimed at enhancing productivity, optimizing resource utilization and strengthening our competitive edge in a rapidly evolving business environment.

On the financial front, we have further strengthened our liquidity position, having received INR148 crores from the pending call money proceeds of our rights issue. This will allow us to reinforce our working capital base, optimize finance costs and ensure greater financial flexibility to fund our future growth initiatives.

With strong financial performance, a robust order pipeline and strategic expansion into new growth areas, we are well positioned for sustained long-term value creation. Thank you for your continued trust and support as we lead the way in advancing power infrastructure and meeting global energy demands.

Thank you, and I'm happy to take your questions now.

Moderator: The first question is from the line of Dhvij Patel from Finterest Capital.

Dhvij Patel: So congratulations on a good set of numbers. I just had a couple of questions. So sir, the 75,000 ton expansion that we had guided for Q1 of FY '26, I just wanted to know what is the update on that? And has the facility started?

Sharan Bansal: No, part -- we are looking to commission part of the facility within quarter 4 and some amount of the commissioning will spill over to quarter 1 next year. So -- but we are expecting to commission a major part in quarter 4 itself.

Dhvij Patel: And what revenue are you expecting from that in Q4 itself?

Sharan Bansal: No. Within Q4, we are not expecting any additional revenue from the new capacity expansion. It will start coming from quarter 1.

Dhvij Patel: So what about the next fiscal year, the entire expansion?

Sharan Bansal: For the entire year, we will have to see how soon we can get to full capacity utilization for this new expansion. But looking at the order book position and strong demand from all our existing contracts, we feel that we should be able to achieve full utilization soon in this capacity. But I don't have any firm -- the overall revenue potential of this capacity expansion is about INR700 crores.

Dhvij Patel: And sir, are we planning for the INR200 crores of capex for the next fiscal year since we were targeting INR800 crores over 4 years? And also, which segment would it primarily focus on?

Sharan Bansal: Yes. I think as we have guided earlier that most of our capex will be happening in the engineering segment only. And yes, we are in line for further capex next year as well.

Dhvij Patel: And sir, engineering products have seen a slight drop in the margins. So I just wanted to know what has led to that?

Sharan Bansal: No, I think -- see, quarter-on-quarter, it is difficult to predict margin movement because margins are a function of the various contracts being executed. But overall, in the year, we will be in line with our margin expectations. And of course, we are looking at margin improvement going forward as the non-T&D portion of our revenue as because next year, we are not -- we are expecting very minimal execution in the non-T&D side. Bulk of the execution will happen on T&D only, so we are expecting margin improvements in the coming years.

Moderator: The next question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited.

Manish Ostwal: So sir, a question on the interest expense as a percentage of revenue, it has declined from a 9-month perspective from 5.1% to 4.7%, so...

Moderator: Sorry to interrupt, Mr. Manish. Sir, can you speak clearly? Your audio is breaking up.

Manish Ostwal: Yes. Yes. So my question on the interest expense in the P&L. So it has declined as a percentage of revenue from 5.1% to 4.7%. So first, can you update us in terms of net working capital scenario in the business? How many days we have -- it has improved? And what is our guidance for the next year on this line item?

Sharan Bansal: So for the 3 months, the quarter -- quarter 3, our finance cost this year is about 4.4%, compared to 4.9% in the previous financial year quarter 3. And we had...

Manish Ostwal: I'm comparing 9 months, sir.

Sharan Bansal: You're comparing 9 months. So yes. So from 4.8%, we've come to 4.7% effectively. Yes. So I think with better quality contracts and better operational efficiency, we are looking to certainly bring this number down. But we don't have a guidance to give you right now. But yes, you should see significant improvement in this head as well going forward.

Manish Ostwal: And what is the net working capital days as on 31st December in our business?

Sharan Bansal: Currently, it's 88 days as of December.

Manish Ostwal: And second, sir, if I look at our order book position, so in March 2024, we have INR6,200 crores of order book. Now it is INR6,300 crores. So from a Y-T-D basis, we -- definitely, we got INR3,700-odd crores orders, but order book growth was very muted. So how should the -- and what is the time frame of execution of this order book for the next year? Out of INR63,000 how much will be executed in the next 12 months basically?

Sharan Bansal: Yes. Actually, so as we have maintained in the past, see, there is no problem of orders. The bid pipeline is extremely strong, and there are enough orders available. It's just that because we have capacity constraints also, so we have not gone out and aggressively taking in a lot of orders and rather maybe it is difficult to get orders also beyond the execution time of 2 years.

So I would say that once the capacity -- we are able to have more capacity starting in the next financial year, then we will probably be able to target higher order growth as well. But as of now, our order intake is in line with our expectations given in the beginning part of the year.

Moderator: The next question is from the line of Abhijeet Singh from ICICI Securities.

Abhijeet Singh: So sir, you mentioned that we are entering into the substation space going forward from here. So what would be the scope here? Are we looking at only EPC or also we are looking at supplies as well?

Sharan Bansal: We will be doing supplies of the -- all the tower structures that go into substations. But of course, that is a smaller component of the overall substation. In substation, we'll be looking at turnkey EPC. And a lot of our current projects also are having a substation scope, which the owner is either giving it to another substation EPC player or sometimes we are outsourcing it fully to a substation EPC ourselves. So I think having execution skills in that space will allow us to keep those margins with us as well.

Abhijeet Singh: So sir, this revenue for the EPC for substation will be booked in the infra segment, right, mostly? Because...

Sharan Bansal: Correct.

Abhijeet Singh: Supply percentage -- I mean, the portion of supplies in substation is smaller compared to a T&D line project.

Sharan Bansal: Correct.

Abhijeet Singh: So majority of the revenue is going to get booked in the infra segment.

Sharan Bansal: Right.

Abhijeet Singh: So sir, how do we look at the scale up of this segment? Because this could open practically a huge addressable market for us. Almost half of the entire market is in substation and the other half would be in the line. So how do you look at the scale up for our business? So how aggressive are we going to go in this business in the next 2, 3 years?

Sharan Bansal: Yes, you're right that out of the total INR9 lakh crores market opportunity, roughly about half is in the substation field. And because it is directly aligned with our overall operation, which is why we have decided to venture into this area as well. It is difficult for me to put any numbers on this because as of now, we have not started winning major projects. We have just -- as I was mentioning in my con call minutes, in my opening remarks that we have -- we are favorably placed to secure our first project.

And I think our first major project, we have done some small projects in the past. So I think this is something where probably as the quarters pass, we will be able to guide better as to what our revenue and margins from this business can be. But of course, the opportunity is very, very large. It is almost the same size as the overall transmission line opportunity.

Abhijeet Singh: And sir, like last 1 to 2 years, we have built substantial capability in terms of the EPC for the line business. So here, what are the kind of capabilities that we are building right now? I mean, in terms of capacity, okay, fine, I mean the supply component is anyways not much. But otherwise, what are the capabilities that we are building right now? And what is required to be able to scale up to higher levels? Sir, if you can throw some light on that?

Sharan Bansal: No. So, in fact, a lot of engineering strength is something that we are building up because this is a heavily engineered infra business. So yes, so I think engineering strength is what we have really focused and are building up. Execution strength in terms of manpower, equipment, I think those are the ones that we have also built up. So I think we are well placed to take some good projects in this area in the future.

Moderator: The next question is from the line of Aditya Welekar from Axis Securities.

Aditya Welekar: Congrats for the good set of numbers. My question is on demand outlook. So just want to understand the current demand scenario on the ground in the context of some weakness in the third quarter with some slowdown in the government capex. So what is our current bid pipeline looking like? And if you can quantify it?

Sharan Bansal: It is the bid pipeline continues to be in the range of INR18,000 crores to INR20,000 crores. And like I mentioned to the earlier caller that there are plenty of opportunities available, but as of now, we are having to be selective in choosing where to bid because, again, we are stressed for capacity. We are fully booked for the next 1.5 years and more or less booked for the next 2 years. So as we will add capacity, we will be looking to increase the bidding pipeline and of course, the order backlog as well.

Aditya Welekar: And so, in that context means from 9 months or from FY '25 onwards, are we still guiding that our revenue will grow for 25% CAGR from FY '25 and for the coming 2 to 3 years and 10% to 11% EBITDA margin?

Sharan Bansal: We are certainly looking at robust revenue growth even on this elevated base. I would refrain from putting any specific guidance numbers on the growth. However, market is very, very buoyant. And to answer your earlier question, the best part about our sector is that it is not even dependent on government spending because if you see the budget allocation, transmission sector doesn't really have any allocation from the budget, the government budget allocation also towards power transmission.

So all of it is bidded in the PPP mode and whether even if Power Grid is winning project, they are bidding on the basis of the strength of their own balance sheet, and so are the private developers. And there is a lot of interest from the private developers. So I would say that business is very robust. INR9 lakh crores has to be spent in India over the 8, 9 years, the company, apart from domestic, has a growing export presence also.

So I would say that our constraint would only be our capacity increase and our execution. It will not be the market.

Aditya Welekar: Yes. So in that context of capacity constraint means what will be our top-line growth driver in that case? Because I guess we might be -- we already might be operating at a full utilization level. So means that capacity, will it not constrain our revenue CAGR for coming 2, 3 years until the new capacity kicks in?

Sharan Bansal: No, but we are adding capacity this year also. So that will also add our capacity by about 25%. Like this year, we are expanding capacity by 75,000 ton for overall our capacity base of 300,000 tons.

Aditya Welekar: And lastly, if I can, the export contribution in the order book has now come down to 11% from 15% in the previous quarter. So is there any impact of -- in the North American orders because of this new administration there? Any risk from there or you see the traction in the North American market?

Sharan Bansal: No. In fact, I would say quite the opposite. The new tariffs, if you have noted that India has been left out of the tariff as of now. And the tariffs have been specifically put on Canada, Mexico and China. So in fact, these are the countries which mostly have been -- our competitors have mostly been based in these countries supplying into USA. So I would say that opportunity for Indian manufacturers and exporters will be very robust in the USA market in the long run because of the hawkish stance being taken by the US government towards these places.

So on the export side, it is just a matter of -- in terms of absolute numbers, it continues to grow even on this quarter, we have grown -- our exports have grown compared to previous year quarter. So I would say that, again, once we have more capacity then we will be able to target larger export orders as well.

Moderator: The next question is from the line of Dhiral from PhillipCapital PCG.

Dhiral Shah: So sir, what will be our growth guidance in the Polymer segment particularly?

Sharan Bansal: In the Polymer segment right now, we are -- we have a lot of headroom to grow. We are currently at a low-capacity utilization in this business. So I would say that, yes, we definitely -- and the last -- and this sector has been facing some headwinds in the last 1 or 2 years due to volatile commodity prices and due to lower allocation by the government in the Jal Jeevan scheme.

However, in the current latest budget, the government has restarted the Jal Jeevan scheme and made some significant allocations to that. So I would say that we will now with the commodity prices stabilizing and our volumes increasing, and the Jal Jeevan Mission project back on track, we certainly can expect better growth numbers in this business.

Dhiral Shah: Sir, what is your 9-month volume on the polymer side?

Sharan Bansal: The 9-month polymer volume was 22,300 tons.

Dhiral Shah: And sir, last year same time, 9-month?

Sharan Bansal: It was 24,600 tons.

Dhiral Shah: And sir, when we are entering into substation EPC side, so generally, substation EPC guys are having higher margins of almost maybe 13% to 15% or even higher. So are we also looking same kind of a margins on the substation EPC work?

Sharan Bansal: Yes, absolutely. We already, even if you look at the transmission line business, we have done better than industry margins. And certainly, in the substation business, even though we are a new player, we will expect to do at least the industry average margins.

Dhiral Shah: So over next 2 years, as you are talking about even in your opening commentary, maybe infra revenue would come down. But overall, for next 2 years, now with the substation, what kind of infra revenue growth you are expecting, sir, over next 2 years?

Sharan Bansal: So even on the existing business, even on the line side, our infra revenue will continue to grow. Substation is a new entry for us. So I don't expect major revenues to come in, in the first year. But I would say that maybe from FY '27 onwards, we can see significant revenues in this business.

But in the first year, FY '26 will be probably the first main year of -- for us for getting projects. So I don't expect much revenues in FY '26, but FY '27 onwards, we can expect significant revenue.

Dhiral Shah: And sir, just last one question on the order inflow side. Since now we have also expanded our capacity maybe from next year onward. So what kind of order inflow guidance we are looking for FY '26?

Sharan Bansal: Again, like I mentioned earlier that there is no shortage of orders and the demand is very, very robust. So as the new capacity has a revenue potential of INR700 crores, so I think at least along with the services revenue that come with it, so I think we can target at least the order book also to expand by minimum that much to get the -- based on the new capacity.

Moderator: The next question is from the line of Pratik Lambe, an Individual Investor.

Pratik Lambe: I have 3 questions, one on the capacity, secondly, on exports and lastly, on the infra order book or basically the non-T&D portion. Now continuing with one of the participants' questions on the capacity utilization, I just wanted to understand how do you see the margins being impacted while you ramp up the capacity of 75,000 tons, which was slated to be completed in this financial year?

And also, some color on the capacity that currently is being added, whether it's a line in the same facility or a new facility is being put up. Also, have you hired a new team, separate team, management team for it? So how should we think about margins from while we ramp up this capacity? That would be one question on the capacity front, sir.

Sharan Bansal: So on the capacity front, we are taken on an expansion of 75,000 tons this year. And it's a brownfield expansion capacity that we are doing. We have already got the team in place, majority of the team in place with some few members left to join. And I'd say that this is being done now most of our capacity expansion is being done with the view of catering to more and more developed market business.

So certainly, we are going for the best-in-class technology and plants from around the world, which can really attract buyers from developed countries. So I'd say that, that is what we are looking forward to in this new capacity expansion.

Pratik Lambe: So do you mean like it will be more of an automated facility with not much of labor involved so that element of margin dilution nature...

Sharan Bansal: So the nature of our business is labor intensive. So there will be labor involvement. But yes, of course, compared to our existing facilities, certainly for the per ton of output, lesser number of labors will be required.

Pratik Lambe: And on the same line, correct me if I'm wrong, apart from -- yes, may I?

Sharan Bansal: Yes. Please go ahead. Sorry, he had 2 questions. I had actually interrupted him. Please go ahead.

Pratik Lambe: Yes, yes. Sticking to the same line, correct me if I'm wrong, apart from the 75,000 ton which was planned in FY '25, you also alluded to another 75,000 ton capacity for FY '26. Is that right?

Sharan Bansal: We will be looking to definitely keep expanding capacity as because the market is robust, both on the domestic side and on the export side. We have significant cost advantages compared to all our peers globally. So I feel that, yes, we will be looking to add capacity consistently.

Pratik Lambe: And you do not see any demand challenges in putting up another 75,000 ton as well?

Sharan Bansal: No, not at all. We don't see any demand challenge. There's plenty of opportunities everywhere in the world right now.

Pratik Lambe: And sir, just one point on the capex. How much would be the capex amount for the current 75,000 ton that we are putting up?

Sharan Bansal: We are investing approximately INR200 crores.

Pratik Lambe: Sir, the next question is on exports. Of course, we understand that the exports are currently down because of the capacity constraint, or also, there is some optical illusion because the domestic market is so robust. That's why the percentage terms in terms of contribution of the exports to the total revenue is a little lower as compared to last year.

But when the new capacity comes in, can you share some targets with respect to exports, which will also help us our margins reaching at a higher level? And also, if there is any challenges that the management sees with respect to the exports?

Sharan Bansal: So in terms of absolute numbers, see, exports are quite consistent. Just 1 minute. Yes, because I see -- so last year, the total execution of exports was about INR640 crores and this year --

Management: INR595 crores.

Sharan Bansal: This year, INR595 crores in 9 months. So already, we are close to INR600 crores. So I think in terms of absolute number, exports is growing only. But yes, in terms of percentage, definitely because domestic market has been growing so fast, which is why as a percentage, it is down.

Pratik Lambe: So even it will remain at the same percentage going ahead? Or will it grow at a higher rate?

Sharan Bansal: So long run, we definitely do expect that as we see more business. Right now, we don't have much business coming from the developed geographies. But we are anticipating large amount of business coming in from developed countries in the future. So I would say -- and even from the developing countries, once we have more capacity to allocate, then we will be able to get more business from there. So I'd say that, yes, as a percentage basis, we certainly do expect exports to bounce back.

Pratik Lambe: And just last question on the non-T&D portion, because of -- I think the slowdown in the non-T&D, whether it's telecom or water or even railways, our order book-to-bill is actually down from let's say, in FY '23, it was 3.4x of revenue, then in FY '24, it was 3.7x, and now it is to

2.25x because of the slowdown in the order intake of the non-T&D side. So how do you see this apart from the substation other segments picking up, sir?

Sharan Bansal: See, on the non-T&D, again, anyway, the non-T&D business, company was focusing on a lot more when T&D opportunities were lesser because non-T&D business always came with a lower margin also 1% to 2% lower margin than T&D. Now that the T&D opportunities are so robust, we don't see much value in focusing on non-T&D business.

Of course, it will continue to be there in the order book as some percentage. We will not want to exit that market completely. But I would say that as a percentage basis, you can expect that it will play a lesser and lesser role in our overall order book and execution.

Moderator: The next question is from the line of Gunjan Kabra from Niveshaay.

Gunjan Kabra: So just wanted to understand on the substation EPC because we are just starting out. So will we be bidding on our own or will we be doing subcontracting for someone in the beginning and then bid the orders on our own? And also, you mentioned in the previous calls that we don't actually manufacture towers for substations because of the size and any other reason. But what will be -- what are the supplies that we actually do to substations currently and we think the margins will also expand because of that?

Sharan Bansal: Yes. So in terms of the execution, we will be doing it on our own. And also, we will be partnering with other companies for substation opportunities as a JV. In terms of supplies, we definitely do supply substation structures. It's just that -- okay, maybe it's a very small portion because substation structures anyway the quantum is not large on a per substation basis. So that's why it obviously, it forms a small -- a much smaller part of our order book and execution.

But yes, we definitely do have the full capability of supplying the substation structures. When we will be doing the substation execution, then there will be other supplies like transformers, GIS substations. I think those will also be involved, which we will be partnering with experienced players, experienced manufacturers in the business.

Gunjan Kabra: Sir, what's generally the timeline of execution of such projects?

Sharan Bansal: In substations, it could be anywhere between -- of course, if it's a high voltage one right now, availability of transformers is a problem. So that would depend on the transformer availability. But I'd say that it would be similar to transmission line, which is approximately 2 years.

Gunjan Kabra: 2 years. Okay. And what's the kind of demand and supply scenarios in towers on the high ceiling side right now? Is it like according to the demand, is the current capacity in the country fairly balanced? Or how is it? As we are having capacity constraints, so in front of demand, how is the supply right now?

Sharan Bansal: In terms of overall demand, the capacity of Indian market is balanced. There is going forward with the expected growth in demand, capacity will have to increase. But also, you have to keep in mind that almost there's a lot of capacity that Indian players are also using to cater to their own EPC projects outside of India. For example, our peers are also exporting towers to their own EPCs outside India.

We are export -- doing a lot of exports, although we don't do EPC outside of India, but we are exporting our towers. So Indian capacity is also being used to cater to demand outside of India. So I'd say that, yes, looking at the overall transmission business sector, there is opportunity for capacity increase.

Gunjan Kabra: And in the infrastructure segment, so we do EPC on that side. So margins are unlike other EPC segment that normally the competitors do. So though right now, it's not a major part initially, but it's inching up in terms of total revenue. So how do we think this segment can increase overall and the margins can shoot up in this segment because it's right now, I think, 5%, 6% EBITDA margin?

Sharan Bansal: You're asking about the infra segment?

Gunjan Kabra: Yes.

Sharan Bansal: Okay. No, so the infra segment, see it's -- again, it's growing for us. And in the infra segment, essentially, we are recording the services portion of our EPC projects. But because the supply portion revenue gets recorded in the engineering products, which is why there is some amount of front loading of margins also.

And I would say that if you look at a consolidated basis, then the margins are in line with our expectation of 10%. But yes, I think even in this sector, even in this segment, we can expect better margins in the future also.

Moderator: The next question is from the line of Dinesh from Finsight Research.

Dinesh: And really great set of numbers. Sir, my questions, most of them have been answered. But see, we have seen a very robust growth in this financial year, almost close to 40% or so. Can we expect similar growth to continue for the foreseeable future given maybe the budget constraints on the capex constraints, which we have seen in this budget or something on those lines?

Sharan Bansal: See, our -- as I mentioned earlier, our sector is not dependent on government budget and government spending because there's a strong amount of private capital interest. So in all major transmission line projects, there is a significant amount of bidding activity happening from the private sector. And even Power Grid, which is a government company, they are able to win projects on the strength of their own balance sheet.

And not because of government budget allocation. So that is even whether government allocates more to the capex or less, it doesn't matter to the power transmission sector, see, because power transmission has a clear runway ahead with the INR9 lakh crores of investment needed to connect 500 gigawatts of renewable power.

In terms of our growth, see, our growth will depend on our capacity expansion and our execution on the infra EPC side, whether it is lines or substation. So that is what will determine our growth.

Certainly, we have done very well last year and this year. Now on this elevated base also, we expect to continue to do well.

But in terms of how much percentage growth, of course, look, maybe probably the performance of -- the stupendous performance of last year and this year will be difficult to do on an elevated base. But yes, we do expect robust growth in the coming years also.

Dinesh: Sir, something like, you mentioned we are having something like INR200 crores of capex maybe for next year, right? So how about we should look at the capex in FY '27, FY '28, like will it be at such elevated levels or you expect it to come down?

Sharan Bansal: No, I think the capex will be consistent. As of now, we are expecting another INR200 crores to INR250 crores of capex in the coming financial year FY '26 as well. And then we will make a plan for further years as we go along.

Dinesh: And are we expecting a margin boost because of this capex? Current levels of around 10%?

Sharan Bansal: We are expecting margins to improve for 2, 3 reasons. One is that, of course, now non-T&D will have a lower share in the overall revenue mix. And on the T&D side also because of the better-quality contracts coming, we expect that margins will expand because of that. So I would say that because of these 2 factors, we should see -- and of course, some part of margin expansion will also happen because of better working capital management at our end. So I'd say all these 3 factors will improve our margins in the coming years.

Dinesh: And maybe last point from my end. You mentioned quite a few times that we are capacity constrained, and that's why we are doing this capex. That's a fair point there. But my point is -- question is like, is it possible to get more orders and then get it executed from outsource it to other players so that we maintain a higher market share?

Sharan Bansal: See, that is something which can be done for very small quantities or very -- it is not -- it cannot be on the basis of which we cannot take large orders. We can do it from time-to-time, but that can be for small quantities.

Dinesh: So -- but can we expect any percentage like -- what kind of projects we look at in terms of smaller quantity you mentioned, right? So...?

Sharan Bansal: So that is something which we do even today also. Even today, from time-to-time, we do use our outsourcing partners where needed. But then those -- that quantity is not large. It is difficult to really plan when we take on projects, then we have to have very high level of certainty that the -- about the execution and the quality, both of which is difficult to manage with outsourcing capacity.

Moderator: The next question is from the line of Mahek from Agility Advisors.

Mahek: So 2 basic questions. One was given that the government is focusing more on the power side and it requires telecom towers. So are we sensing any opportunity on that front? And are we planning any capex there?

Sharan Bansal: The government -- you're saying the government is focusing more on?

Mahek: Kavach, Kavach. Train anti-collision system.

Sharan Bansal: Railway Kavach. Yes, yes. Railway Kavach is an interesting opportunity, and we have already won one project in that Kavach. And yes, in the future also, we are anticipating to win more projects in that space.

Mahek: And anything in terms of numbers, what is the opportunity size and what is the order win?

Sharan Bansal: Just one minute. I believe -- again, I'm not certain, but I believe that the railway Kavach opportunity is INR1 lakh crores. Now I would imagine our addressable market in that to be at least INR50,000 crores. So that would be over the next 2 to 3 years.

Mahek: INR50,000 crores, and any -- how much are we expecting from that out of that INR50,000 crores? Any ballpark number?

Sharan Bansal: It's difficult to say because as of now, we won only one project. And again, like I said, we are fully booked on both our engineering and infra side. So we are also adopting a cautious selective approach in taking new projects.

Mahek: And so again, so when we are -- similar line, so we are planning a capex of INR800 crores. So that will be in the engineering segment. So are we planning to 75,000 tons of towers every year? Or what are we planning in this for the capex?

Sharan Bansal: Yes, we will definitely be planning minimum 75,000 tons, maybe higher in the years to come.

Mahek: And sir, last is a bookkeeping question. So we have a -- had a taxation of close to 37% -- effective tax rate of 37% in last 2 to 3 years, but now it has decreased to around 26%. So any specific reason? And will this be normalized going forward?

Management: So we have moved into new tax regime. And currently, we are taxed at 25.17%, including surcharge.

Sharan Bansal: So till last year, we were in the old tax regime because the company had certain R&D tax benefit, so, which got exhausted last year. So from this year, we have moved to the new tax regime.

Moderator: The next question is from the line of [Vimok Shah from Goel Fintech Pvt Ltd 47:12].

Vimok Shah: I have just 2 questions like, sir, can you share like what is the current composition of the order book, particularly split between domestic and export orders?

Sharan Bansal: Current order book position is 89% on the domestic and 11% exports.

Vimok Shah: And what is the long-term vision for the mix between the product sales and the EPC project?

Sharan Bansal: Sorry, once again, please?

Vimok Shah: Yes, what is your long-term vision for the mix between like product sales and the EPC project, particularly in the domestic market? I think we are more focused on the EPC side right now, right?

Sharan Bansal: No, because there are a lot of opportunities. There are opportunities both on the domestic side, definitely, bulk of our business is coming on the EPC side. On the export side, we are only taking product orders. We expect both to grow. So it is difficult to say where -- what the percentage mix will -- how it will move. But wherever we get better margins, we will move the mix to that percentage. But the opportunities are there in plenty in both the sectors.

Vimok Shah: And in the substation EPC, have we received any major contract yet or we are just looking for the opportunity?

Sharan Bansal: We are favorably placed for an order that amounts to something around INR60 crores, INR7O-odd crores.

Moderator: The next question is from the line of Samarth, an Individual Investor.

Samarth: Congratulations, sir, on a great set of numbers. Most of my questions have been answered. Sir, just wanted to know a couple of things. The polymer business has been seeing some weakness. I mean, we have been seeing some weakness for the past few quarters. So how do you see the business for the next financial year?

I mean we have been making investments also. So that was my first question, whether the business will grow at a similar rate as to what the company is growing or we can see an accelerated growth also because we have degrown this year?

Sharan Bansal: In terms of polymer business, see, we -- the sector has faced headwinds on 2 counts. One is the volatile commodity prices, which basically have led to a lot of uncertainty in the trade network. Hence, a lot of destocking has happened in the trade also. And the second has been the Jal Jeevan project for which there has hardly been any budget allocation this year by the government.

So I think these 2 reasons are what has hampered the growth of polymer, although our volumes on the retail side have been growing quite well. And even this year, our volumes on the retail side are growing. So we are positive about that. Our brand obviously enjoys a strong reputation in most of our markets, particularly East and Northeast markets.

I would say that, now with the commodity prices stable and with the fresh allocation of government into the Jal Jeevan Mission project, we will see much healthier numbers in this division in the next year.

Samarth: And sir, another question that the capex we are doing of INR200 crores. I mean, by when can we assume that we'll be reaching 80% to 90% of the utilization, I mean, for the next year? I mean, in how many quarters can we assume that?

Sharan Bansal: I think we should be able to achieve it by the end of quarter 2, we should be able to achieve 80%, 85% utilization.

Samarth: And the next round of capex, as you told that if we'll plan for the next year, I mean, another INR200 crores of capex, I mean, any thoughts on that, whether we would be doing through debt or equity financing or I mean, it's too early to call that?

Management: It is early. However, the company has strong internal cash flows. This year also out of our capex of roughly about INR200 crores, INR210 crores-odd so far, we have only raised debt of about INR75 crores. So I think we are able to meet our capex requirement quite well with the internal cash flows.

Moderator: The next question is from the line of Darsh Solanki from Axis Securities.

Darsh Solanki: So I just ask on the 75,000 tons capex that we are planning for FY '26. So I just wanted to know, is this something that has been approved or something that we would consider as we go into the next year? And if it is approved, so would it be a brownfield expansion or a greenfield one?

Sharan Bansal: No. For the next year capex, we will be taking Board approval, but this is what our expectation is.

Darsh Solanki: Understood. And sir, what is our capacity utilization up till this quarter, this year?

Sharan Bansal: By quarter 4, we are well on way to achieve 85% utilization for our existing capacity.

Darsh Solanki: Understood. And sir, my last question is that in terms of the market share, sir, like what is the market share that we have in the high-voltage segment as of December?

Management: 12%.

Sharan Bansal: About 12% to 13% on the transmission line side.

Moderator: The next question is from the line of Shridhar Jadhav from JM Financial.

Shridhar Jadhav: So sir, most of my questions are answered. Just had a couple of few quick questions. Sir, we are already reaching utilization levels of 85% in Q4, and new capex of INR200 crores, what I understand will be live by quarter 2 of FY '26. So how do we plan to continue the growth momentum?

Sharan Bansal: I'm not very clear on your question.

Shridhar Jadhav: So what I'm hinting is, so do we still maintain the guidance -- similar growth guidance in coming 2 quarters to 3 quarters till our capex is live on an elevated base of, let's say, March '24?

Sharan Bansal: We don't -- we have not given any guidance yet for the next year. But we do expect the robust growth to continue.

Shridhar Jadhav: And my next question is on margin improvement. Sir, now with expected polymer segment and infra segment and EPC substation. So on a blended basis, do we expect our margins to shrink because of other low-margin segments? Or so what would be our overall guidance for next 12 months on the margin front blended?

Sharan Bansal: No, we definitely expect to improve margins from -- currently, we are at just about under 10%. We certainly target to improve this margin incrementally in the coming quarters.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Sharan Bansal: Thank you. We remain optimistic about the future, and are confident in our ability to create long-term value for our stakeholders. We appreciate your continued support and look forward to interact with you again in the next quarter. Thank you.

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