PENNAR INDUSTRIES

TÜV INDIA
Certified for ISO 9001, 14001, 45001 Management Systems

Date : 16.02.2025
Place: Hyderabad

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai - 400 001	The National Stock Exchange of India Limited BandrakKurla Complex, Bandra East Mumbai - 400 051

Dear Sir/Madam,

Sub: Transcript of the Q3 FY25 Results conference call hosted on 15th February, 2025 - Reg.
BSE Scrip code: 513228 / NSE Symbol: PENIND

Dear Sirs,

Pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our Results conference call intimation dated 6th February, 2025, please be informed that the Results conference call for Q3 FY25 was hosted on 15th February, 2025 and the Transcript of the conference call is enclosed for information and record.

The same will be made available on the Company's website viz., www.pennarindia.com.

Thanking you,

Yours faithfully,

for Pennar Industries Limited
Mirza Mohammed Ali Baig
Digitally signed by Mirza Mohammed Ali Baig
Date: 2025.02.16 12:21:19 +05'30'
Mirza Mohammed Ali Baig
Company Secretary & Compliance Officer
ACS 29058

"Pennar Industries Limited Q3 FY25 Earnings Conference Call"

February 15, 2025

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

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

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY25 Earnings Conference Call of Pennar Industries hosted by PhillipCapital (India) Private Limited.

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

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 "*," then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

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

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

Before we start with the question-and-answer session, we will have "Opening Comments" from the Management. Now, I hand over call to Mr. Aditya for "Opening Comments." Over to you, sir.

Aditya Rao: Thank you, Vikramji. A warm welcome to everyone joining us today for Pennar Industries' third quarter Investor Conference Call for the financial year ending March 2025. We are grateful for the opportunity to speak with you on our performance and on our growth plans.

We will first speak on the Agenda Overview. As always, we will begin with our Q3 performance. We will cover revenue, growth, profit before tax, working capital, and our strategic growth initiatives. Post this, Mr. Shrikant Bhakkad, our CFO, will provide a detailed analysis of our financial results. After his presentation, we will open the call to a Q&A from all our participants.

Let's start with an executive summary of our Q3 performance.

Q3 2025 saw us growing our revenue, PBT and cash flow by double digits. Our net sales grew by 12.75% to 839.7 crores. Our PBT grew by 20.29% to 39.78 crores. And our cash PAT grew by 11.18% to INR 47.74 crores.

Let's talk about revenue growth. This trend in revenue and profit growth will continue with our growth vectors now starting to scale. Currently, our PEB India business, our U.S. Metal Buildings business, process equipment and our Body in white vertical are projected to grow well over the next few quarters. And this will have the impact of bringing our revenue up.

I hope I am audible. There is some disturbance on the line. We will continue. Please let me know if any of you find it hard to hear me.

Working capital, we are currently at 79 days in terms of revenue days. Our stated goal is to reach 60 days in the medium term and 72 in the short term. And we are working on to realize these goals.

In conclusion, this completes my remarks on our Q3 performance. I would like to hand the call over to our CFO for his detailed analysis. Thank you.

Shrikant Bhakkad: Thanks, Aditya. Welcome to the shareholders and investors for the third quarter FY '25 Earnings Call.

Key metrics:

The total income has grown to 846.45 crores, from 750.88 crores, up by 95.57 crores. In terms of percentage, it is 12.73. PBT has increased to 39.78 crores, up by 20.29%. We are now at 4.74%, up from 4.44%, which is up by 30 basis points. And PAT has increased to 30.46 crores, up to 3.63%, up by 22 basis points. Revenue has grown in diversified engineering business as well as custom design building solutions. And as a result, our blended revenue has grown by 12%.

With our continued focus to improve margins and cut down the sales of the lower margins, you see the increase in the profitability of each of the businesses aspects. The diversified engineering revenue for Q3 FY '25 is at 415.6 crores compared to 380.6 crores up by 13%. And the custom design building solutions increased from 387.89 to 441.29, up by 9%.

We are happy to inform that our Raebareli plant is now functional and started contributing to our revenue Q3 FY '25. And as we grow, this will further get scaled up. We expect that we can increase the peak capacity Q1 FY '26.

PEB India has increased the order book. Now it is at 800 plus crores. And PEB U.S., it is at USD 50 million plus. And we are confident that revenue will increase in the coming quarters.

The other income includes deposits, income, income from mutual funds, RoDTEP incentives, exchange fluctuations. In terms of employee benefits, the Q3 FY '25, it is at 89.95 crores compared to 71.63 crores. The increase is on account of increments, bonus, and our increase in the headcount and peak recruitment at our Raebareli plant.

In terms of finance cost, consolidated Q3 FY '25, we are at 31.26 crores compared to 31.47 crores. There is a decrease by 21 lakhs. This is on account of better working capital management compensated by an increase due to our long-term borrowing. Total borrowings for the company is now at 1,195 crores when compared to 1,092 crores in March.

Interest to net sales for Q3 FY '25 is at 3.72% versus 4.23% Q3 FY '24. There is a decrease in terms of the overall interest to net sales as a percentage and we now stand at 3.72%.

Depreciation and amortization has slightly reduced due to the decrease in the discontinued operations, whatever the business is that we have sold, and slightly increased in account of the U.S., account of the new plant and machinery.

Tax has increased to 23.43, from 23.28%, predominantly due to change in the mix of our supplies at U.S. subsidiaries. Please note, federal tax is at 21% and state tax varies from 5.7 to 25.6%. We expect the consolidated rate to be between 25 to 26%.

Overall analysis, revenue has increased on all our business streams and our geographies in India as well as the U.S. Due to increased revenue, there is a corresponding increase in PBT and PBT margins. We continue to maintain this.

With this, I hand over the call to the moderator for questions and answer sessions with the investor community.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask question may press "*" and "1" on their touch-tone telephone. If you wish to remove yourself from question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ishmohit Arora from SOIC Research. Please go ahead.

Ishmohit Arora: Hi, sir. Sir, my first question is that in spite of our new plant commercializing, when do we expect to see some bit of operating leverage coming into play because our operating margins are still at 10%?

Aditya Rao: So, do you mean EBITDA?

Ishmohit Arora: Operating leverage? Basically, when do you think basically your EBITDA margins will start increasing as your new plant is commercialized?

Aditya Rao: Right. So, what I would guide towards is a long-term sustained trend in the improvement of not just our EBITDA, but the contribution margin of variable, yes EBITDA margin, PBT and PAT margin. So, that is a trend and that will continue. We expect as our revenue scales and all the revenue is added at an operating margin, which is higher than our average, that keeps falling down to EBITDA. So, you will see our margin increase consistently and that's the trend that we have been on for the past few quarters. So, methodically, it will continue to increase.

Ishmohit Arora: Right. And sir, just the second question is that I think we saw an announcement that you are entering solar panel manufacturing. So, what is the rationale behind it? Because from upfront, it seems to be a very commoditized industry and we were actually exiting all these low-margin businesses and now we have entered another one.

Aditya Rao: Okay. Yes, I think it's important to provide a narrative on this. So, as you have rightfully said, we have picked six verticals for to scale within Pennar. These are hydraulics, our pre-engineered building business in India and in the U.S., Body in white components business, our tubes vertical, and also our engineering services vertical. Last one is process equipment.

So these together will drive Pennar's growth in the next few quarters, in the next few years. And we believe there is enough gunpowder, large addressable markets, low market share. So, our ability to grow revenue should be quite good. And consistent revenue, profit, growth and margin expansion with working capital efficiency being under control is the trend. That's the plan that we have.

Now, however, that leaves aside a lot of these, what we call the legacy revenue streams, legacy businesses. It includes the solar business, our water treatment chemicals business, water EPC business, and several others. What we decided to do is, one thing to do would be to just stop those revenues and we, in effect, done that.

But I think there is also a better way for the company to realize some value. So, this is our attempt to realize value out of our IPE, out of our pre-qualifications, out of our presence in these sectors, and even the human resources and human capital we have in these businesses.

So, we incorporated a JV. We have tied up partners with Zetwerk for this. Zetwerk has majority and what we are doing is transferring our know-how, our assets, our customers and our order backlogs into that business vertical and that business will be done separately. And over time, that decision can be taken on, you know, how we would want to do it. But effectively, this is a mechanism for us to realize value out of our capabilities and pre-qualification and assets that we have, rather than just have value destruction where we just stop those revenue streams because the fundamental nature here is to maximize value for Pennar.

So, without any substantial investments, with only a transfer of our existing capabilities and assets, if we can realize better value out of this, and it would be at a place where we are minority shareholding, then it makes sense for us to do this. So, that's the rationale behind this.

You mentioned solar modules as a commoditized business. In my opinion, it's a scale business, but we are now a minority investor in a joint venture, one which will be guided by Zetwerk as a majority partner. We are a major investor and our hope is that as that company scales, Pennar realizes value. And we hope to replicate this model for other businesses which are not being prioritized. We don't want to grow them in Pennar, but we do want to realize the value. That's the rationale behind this.

Ishmohit Arora: And so what will be the capital invested from our side into this business?

Aditya Rao: 18 crores is the capital investment.

Ishmohit Arora: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Karthi from Suyash Advisors. Please go ahead.

Karthi: Yes, good morning, Aditya. A couple of questions. One is in your U.S. business, A, how is your supply chain structured given the changes being proposed, especially with reference to Mexico, Canada and some of these other countries?

Aditya Rao: Sorry, I apologize. Your voice is a little muffled. Could you repeat that question?

Karthi: Yes. Is it any better now?

Aditya Rao: Not really.

Karthi: Hello. Is it any better now?

Aditya Rao: Not very audible.

Karthi: Just one second. I am sorry, is it any better now?

Aditya Rao: Yes.

Shrikant Bhakkad: It's much better. Go ahead.

Karthi: Yes, I am so sorry. So, I wanted to ask you, how is your supply chain in the USA organized? Do you see an opportunity to increase sourcing from India because of the changes proposed in terms of duties? And based on whatever data you have today, what would be the advantage that we accrue to you from this proposed change?

Aditya Rao: So, our supply chains typically do not, and for the vast majority of it, is already localized. So, for our India revenue streams, most of the procurement is in India. For Europe revenue streams, most of it is in Europe. And for the U.S., almost entirely it is in the U.S. We are not looking at the supply chain arbitrage.

I think the way the world is going, I think duties, tariffs, all of that will remain the dominant standard by which, you know, the supply chain efficiencies which were there earlier will not be there in the longer term. I think we are much better served localizing supply chains wherever we are present.

So in that trend, I think in India, for most of our procurement is in India. Some special grades, special kinds of components we do have coming in from China, and that will continue. But where possible, I would say our target would be more than 70-80% for it to be local. In the U.S., it's a much higher number. We only buy for our U.S. revenue streams, the vast majority of it is U.S. based.

Karthi: So, you are referring to both the engineered buildings as well as the tubes.

Aditya Rao: I am sorry, could you say that again?

Karthi: I was saying you are referring to both the engineered buildings as well as the cubes businesses, right, in USA? I am specifically referring to U.S. business.

Aditya Rao: I mean, I am talking about the entire revenue stream. So, the U.S. is, let's say it's about $100 million plus revenue P&L for us. The vast majority of that supply chain will be US-based. In India, for example, let's say we are at 300 million, right? Or let's say about 2,500 crores. The vast majority of that will be India sourced.

Karthi: Sir, the other question, and then I will join back in the queue, would be in terms of, I am sorry, I lost track of what I was saying. So, let me get back in queue and not waste time. Thank you.

Aditya Rao: Okay. Yes, please do join back when you have your question ready we will let you in.

Karthi: Yes, sure. Thank you.

Moderator: Thank you. Next question is from the line of Aniket from ABN Capital. Please go ahead.

Aniket: Thanks for taking my question and congratulations on a good set of numbers and the progress you have made over the last few quarters on your strategy. My first question is, sir, can you tell us in this quarter, what is the percent of revenue that is from, what we might call as deprioritized or sort of old business that you sort of want to wind down?

Aditya Rao: I understand. I request our CFO to answer that question. We do have that exact number.

Shrikant Bhakkad: Yes, we have 65% from our prioritized business and from the non-prioritized business, it is 35%. And as the time goes up, this will continue to decrease the non-prioritized businesses.

Aniket: Got it, sir. And our thinking would be to take it to zero in the next, you know, two years? Is that a fair timeline or would it be faster, slower?

Aditya Rao: For the next five years, yes, it would drop to zero. One way or another.

Aniket: But in two years, sir, do you think it goes down to like 10%? From just approximately what's your directional sense?

Aditya Rao: We do have an internal projection, but you should expect substantial declines year-on-year on this. So, I can't give you a number for what it will be at two years, but it will not be at 35. It would be substantially lower than that.

Aniket: Understood, sir. And secondly, sir, can you quantify how much did Raebareli contribute this quarter?

Aditya Rao: So, this quarter it was not very high at all. To my knowledge, the revenue out of Raebareli would have been somewhere between 20 to 25 crores. But we are now scaling up that business. I think you will see Raebareli hit high capacity utilization in between Q4 and Q1. That is the current quarter and the next quarter. But irrespective of that, PEB is scaling. We also have capacity increase within our existing other two plants as well. So, I think overall, what's going to happen is you will see strong, high growth in PEB. And that's a combination of better capacity utilization at all of our plants. And Raebareli will come into its own in the next few weeks, a couple of months.

Aniket: Got it, sir. And the last question, sir, if I may. We had talked about, you know, finance cost as a percent of revenue around 3.5%, 3.75% this year. Now with the rate cycle changing and so on, where do you think this goes in the next couple of years?

Aditya Rao: You should target in terms of the overall finance was comprised of the interest on borrowings which are from the working capital as well as from the term loan. Union holders are comfortable as I said in my earlier calls as well at 3% on the borrowings for the working capital and 1% for the term loan. So, it will be range bound between 3.8% to 4%.

Aniket: Got it, sir. Perfect. Thanks a lot and all the best.

Aditya Rao: Thank you.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Yes, hi. So, firstly, do you see any major impact on these U.S. tariffs and duties that they have been imposing on a business howsoever?

Aditya Rao: No, sir, we don't see an impact at all. As I mentioned, the vast majority of our supply chains are localized. So, we do not ship a lot of material. I mean, let's talk about PGI's revenue in the U.S., which would be the most relevant because the tariffs are being imposed potentially by the U.S. on other countries, including India, reciprocal tariffs. The $100 million plus revenue that we have there, and one that is growing quickly as well with an order backlog also doing quite well now, very, very little, maybe less than 10 million is supplied from India. So, we do not anticipate any shock, either to revenue or to the margins because of these supplies and tariffs.

Rahil Shah: Okay. And secondly, can you guide us in terms of your outlook for the next quarter and the next year in terms of revenue and EBITDA margins?

Aditya Rao: We don't provide guidance, sir, but I think we can commit that we will, quarter-on-quarter, you're going to see revenue growth and profit growth. I think that's a trend that's been there for four years, but I think in the last two, three quarters, we had maybe one quarter, which where we did not have growth because we decommissioned our legacy revenue a lot quicker. I think we are being a lot more smart about it.

I think it's important for us to have revenue growth, profit growth, margin growth and also ensure that the deprioritized revenue streams are removed. So, we worked out a model to do that. So, I think we are quite confident in projecting revenue growth quarter-on-quarter and profit growth. So, that's what I have to give you. And we have aggressive long-term plans. We certainly don't want to be in a place where revenue stagnates in any period of time, but over the next 4-5 years, we expect to have sustained high growth in all of these metrics.

Rahil Shah: And what will be driving? Which verticals are you like relying on heavily which will drive this growth for you?

Aditya Rao: So, as I had mentioned, our growth sectors are pre-engineered building line, Body in white, process equipment, engineering services, and hydraulics business. So, in all of those businesses, our market share is small. Let me explain why that's a good thing in this scenario. Because if we were the largest player, if we had market share of say 15% or 20%, it becomes difficult to scale revenue in that business at any rate higher than the market growth rate.

However, in pre-engineered buildings in India, we are number 4. And in the U.S., we are probably number 10. In hydraulics, we are number 6 in India. Globally, we probably are nowhere near the larger players.

The same argument goes for process equipment. The same argument goes for engineering services. The same argument goes for Body in white. The people we are competing against are all people with sometimes tens of thousands of crores of revenue in the case of BIW. So, the market is never going to prevent us from growing.

Our job is simple. Expand our market share from where it is right now, which is in some cases as low as 1.5%, 2%, but in some cases it's up to 5%, 6%. Get that up to maybe not even 10%, 7%, 8%. And just build up the asset base to do that. And that will give us revenue growth, profit growth, and we can do it quite efficiently. So, our current gross revenue base of about 4,000 crores can be scaled quite frankly indefinitely.

The market may do well or not do well, but our growth trajectory will continue to be there because of this dynamic low market share, good market presence, however, from a capability posture, from a customer standpoint, combine that with an asset acquisition strategy, and of course, generating profits, capitalization, and you will have an automatic growth plan. So, that's our base business plan, and we have been on that plan for the last many years, and it seems to be working.

Rahil Shah: Okay, sir. Thank you for that detailed explanation. I wish you all the best.

Aditya Rao: Thank you.

Moderator: Thank you. The next question is from the line of Ashish Soni from Family Office. Please go ahead.

Ashish Soni: Sir, regarding solar business, so you are forming a joint venture. So, is it like margin accretive for us better than what we were doing earlier? I am just trying to understand. And you said you might reduce it to 10% overall, the low margin business. Do we want to like sell off to our joint partners? What's your thought process about other businesses also?

Aditya Rao: So, your voice was very muffled, but let me repeat your question and you can confirm if I have captured it. I am audible to you. So, you have asked about the solar business. How does that affect our margins right now? I assume you are talking about the JV because there is….

Ashish Soni: Correct.

Aditya Rao: Yes, I can answer that question. So, the joint venture is set up to do solar modules, solar module mounting systems, components and others, right. So, this tends to be, let's say a 5%, 6% PBT business, PAT business globally. Not very dissimilar from our net margins, but obviously we don't want to stay at 5%, 6%. So, because we have a minority shareholding, this doesn't consolidate line by line with our P&L and balance sheet.

What effectively happens is after we report all of our numbers, there will be a line called minority interest and the power share of the profit will be added to that. So, it will expand our margins. But obviously, I mean, I don't want to give you the picture that it is going to be tremendously valuable, but effectively think of it as a way to monetize our capabilities. It's not going to add to revenue. It's not going to really add to our operating margins. But we do expect substantial profitability to come from it. But it doesn't impact our margins. It comes in as a minority interest. Does that...

Ashish Soni: Yes, other thing is whether you are going into solar cell or only modules. I am trying to understand that also a bit because cell is a different ballgame altogether compared to modules.

Aditya Rao: So, I think that's a call that we will take or rather Zetwerk and us will have to take. But as of right now, there are no declared plans with the cell business. I think it's a much higher capital investment paradigm. And right now we don't have plans.

Ashish Soni: And you indicated your other low-margin business you want to hive off, like, similar to this. So, anything in progress for other low-margin business, like water treatment, chemicals, or whatever, right now in work, you might do something in next two, three quarters?

Aditya Rao: We will continue to work on the paradigm and it wouldn't be premature to talk about it right now. But what I can share is, it's the model we want to use for all the other de-prioritized businesses, realized value from our assets. And as and when we complete these engagements with other partners who will take the responsibility of growing these businesses from us, we will share that with you.

Ashish Soni: The last question, the CapEx plan for next year and I think land sale, do you want to consider that in next two, three quarters something?

Aditya Rao: So, a CapEx for next year, we have not yet chosen. Budgeting is done, yes, but we do have to look at some long gestation projects which come in, which take about a year to implement. So, we don't have a CapEx budget for last year for you, but this year it was about 100 crores. I can tell you the numbers. And the profit is substantially higher than that, even before the fourth quarter is closed. So, we are improving our debt equity.

Ashish Soni: And land sale? That's another question I asked.

Aditya Rao: Land sale, we currently have nothing to share. But again, similar to realizing value, we have a large land asset bank and we will look to monetize it over time. But right now we have nothing to share.

Ashish Soni: Thanks and all of us.

Moderator: Thank you. The next question is from the line of Keshav from Luxon Investors. Please go ahead.

Keshav: Hi. Sir, in the prefab space, if I look at our recently listed Indian peer, they have hardly any charges coming out of bank guarantees. They have hardly any debt on their books. Very high turns on total capital employed. They have a sizable contribution from customer advances. I couldn't find any data on retention money, but overall turns inclusive of everything is pretty high. So, can you help understand what could be the way forward for us? Can we match those metrics? How will that happen? Why isn't that not the case even at the scale we are at because we have grown pretty fast to a number three, four position?

Aditya Rao: I am sorry, the voice again was muffled. I apologize. Maybe there is something wrong with the connection line. But could you repeat your question, sir? And if possible, if you could do it a little more slowly so we can understand. My apologies.

Keshav: Okay. Is it audible now?

Aditya Rao: Not really, sir, but go ahead.

Keshav: So, sir, in the prefab space, if I compare our business to the recently listed Indian peer, I see that they don't have any charges out of bank guarantees. They don't have any debt on the books. Their asset turns pretty high on the overall capital employed. So, I was just trying to understand what's the way forward for us. If we can match those kinds of metrics, how will that happen? Because we are pretty close to the scale and we have grown pretty fast, but we are incurring a lot of these charges that are making our PEB's business not as capital efficient.

Aditya Rao: Understand. So, good question. So, yes, the other listed players, specifically, for example, I think Interarch also has listed, they tend to have balance sheets which don't have a lot of debt. We haven't had a lot of debt. The way we approach it is what is our working capital, right. And working capital can either be financed through debt or through equity.

So, if you look at Interarch's working capital, they tend to have about 45 days. And for us, we are closer to 60 days. The treatment of bank guarantees and other financial instruments such as LCs may be different. It may show up not as debt. So that's something that we do have to be conscious of. It may be netted off before that for other companies. And I wouldn't want to presume that that is what they are doing. But we do know that this is an industry which calls for a certain amount of inventory to be held and a certain amount of accounts receivable. And of course, there are current liabilities which offset that to an extent, including advances.

So, you are right in that we have historically not been an efficient capital deployer in the pre-engineered building space. Our working capital days were at 110, 120 also, three, four years ago. But over the last three years, we brought that down to 60 days. And we have every intention of reaching where our competitors are in terms of the working capital number of days.

Now, as to how that working capital is financed, is that done through equity? Is that done through debt, through LCs and non-cash? And it's primarily non-cash. That's a statement of choice. I think what's important is we bring in enough scale so that at the PBT level, we match up. But whether we are using LCs or we are using equity to finance raw material, to finance other current assets may not be a higher return in the equation as for me.

So, I think we are hard at work to improve our operating margins. We are hard at work reducing our working capital days. The combination of these two things should bring our net margins into, to my knowledge, I think some of our competitors are at 7 or 8%. And we are at 4.5 to 5%. Yes. So, we will look to improve that. So we have over 100, 200, 250 basis point improvement to be made. And we know where that's going to come from. And we will go ahead and get those numbers.

Now, of course, this refers to the prefab pre-engineered space in India. Our margins in the U.S. are obviously higher than what the competitors in India have right now. So, that may not be a margin issue in the U.S. and the capital days in the U.S. is only 15 days, which is much better than any of our competitors here in India.

Keshav: Sure, sir. So, this improvement to 7%, what's the timeline we are envisaging for this to happen?

Aditya Rao: So, as I mentioned if you talk specifically of the PEB space, it shouldn't take that long. We are looking at the company as a whole blend also. I think our stated goal is to get to higher than 7%. We have 10% targeted. We will not promise you a timeline in which we are doing it, but you will just look at what we have done rather in the last two, three years. You would have seen our margins come up from 1%, 2%, 3%, all the way up to 4%, 5%. And that trend will continue. So, the matter of the next one, two, three years, you will see us meeting, we call it benchmark market rates in all of our businesses from a net profit percentage margin point of view. And that's something that we have planned for.

Keshav: And sir, what's the reason for not being able to scale the tubes business in general? Because we have been flat in five years from 2019 to 2024. And how should it fare going forward?

Aditya Rao: So, tubes, we are currently at a place where addition of capacity is specifically in a large diameter tubing project. That is what is going to add capacity, that's what's going to add revenue, and that's potentially what's going to add margins. It's a little bit of an outlier in terms of our overall business profile. If you see all the other businesses we spoke of, whether it's pre-engineered buildings, Body in white, hydraulics, engineering services, there is a good amount of either engineering or product development in the value stream chain. What those things tend to do is they tend to protect your margins.

Now, tubes is perhaps much more of a commodity business, right? So, you need scale in order to be able to hit the higher numbers. And the largest tube company I can think of, they tend to have hyperscale, EBITDA margins less than 10%, but they have really good capital efficiency. So, they are doing a fantastic job growing their business in a capital efficient manner, but margin is not a priority for them.

So, our rollout for tubes would have to be based on the high-margin niche market opportunities such as large diameter tubing, such as precision tubing. So, it will take time to grow tubes. And I think as a company, we are going to be patient about how we are going to scale this business up. But the way forward is our large diameter tubing. And unfortunately, It takes time to get that CapEx dump. So, which is why I am not using that as a primary growth vector in the near term. Medium term, we will be able to do what's needed in that business. But right now, I am not guiding you to growth in our tubes business.

Keshav: Okay, thanks for the clarity, sir. And thirdly, just wanted to understand what the scale of our Body in white business is currently.

Aditya Rao: Could you say that again, sir?

Keshav: I wanted to know the scale of the Body in white business currently.

Shrikant Bhakkad: Body in white.

Aditya Rao: Body in white. Sir, Body in white businesses currently comprise of orders from Stellantis, Hyundai, Kia. We just added Maruti and a few others. From a revenue standpoint, are we giving segmental breakup? Okay, we can't give a segmental breakup, but how can I answer a scale question? We expect it to be a 1,000 crore business potential exists in that business over the next few years. And we are already well above 100 crores in that business.

Keshav: Okay. So, sir, just I was trying to understand it from the capital allocation point of view, because we have in the past descaled multiple verticals. So, what's the rationale for this foray? Because I assume the ability to penetrate the value chain would be one of the metrics. So, where we are currently? And how confident are we that we will be able to scale this business profitably?

Aditya Rao: Our confidence in being able to scale is high for the reason that mentioned and I won't react to the whole thing, but just no market share, good market presence from a technology capability, customer point of view, and just add assets on that. So, that's a model that we have seen for ourselves and globally seems to work out. So, that is what it is.

So, our confidence is quite high and all of our businesses are at a pace right now where we are. There is no business which we are trying to grow which we are not able to grow. That doesn't exist. It's really a question of us perhaps deciding whether we want to invest now, invest a little later in some other business. So, once that plan is there, it's really a question of how much CapEx and how much are you deploying.

So, typically, all of these businesses as a blend come to about five to six asset multiples. So, if you invest 100 crores, you tend to get 600 crores in terms of revenue. As a blend, of course, to all of these businesses. Some of them are lower, like BIW is about 3 or 3.5. And some of them are a lot higher, like PEB tends to be about 8, 7.5, 8. But as a blend, I think we will be able to hit those 6, 7 numbers from a CapEx point of view.

And for our growth plans, which is double-digit scaling, we don't need to invest a lot. We don't need to raise massive amounts of debt. So, our debt equity will probably come down over the next few years. And overall, as we said, as Shrikant has mentioned, interest cost of a percentage also remains stable. So, I don't think we will have a problem getting the capital we need for growth. We should be able to get that done through internal accruals and a little bit of working capital debt.

Keshav: Sure sir, this is just a small follow-up. So, the rationale to getting to be BIW, Body in white, were there any synergies involved? Because I am just trying to wrap my head around…..

Aditya Rao: Could you repeat the question, sir?

Keshav: Yes, so it was a small follow-up on the Body in white business where I wanted to understand if we had any synergies to the legacy businesses we have had because we have done solar and water EPC in the past and we are trying to or we have gotten out of them. So, I am still trying to understand because our prefab business is growing very handsomely and otherwise we have a few cash generating verticals also. So, just from an investor's point of view that whether we are in the right business as a company if we talk about Body in white, if you can sort of talk about those things from a synergy point of view and a know-how point of view?

Aditya Rao: No, I can address that. So, the choices we have made about what businesses to grow, the vast majority of them and almost all of them is really about metal processing technology. So, Pennar at its core has two strengths. Engineering, which includes design, detailing, product development and metal processing technology, manufacturing technologies. These include roll-forming, fab, friction fab, machining, robotic welding, robotic assembly.

So, when you put all of these metal processing technologies together, based on requirements in big sectors such as automotive and energy and equipment, process equipment, you tend to get these revenue streams, these markets that you can build up.

So, BIW sits quite squarely in that. The base technologies in BIW are things such as hot stamping, something that maybe only two or three companies in India have. We also have other laser welding, laser assembly, some automation technology. So, putting all of those two things together means that we have done a lot of the hard work in BIW.

Scaling it, we believe, will be very, very easy. I think there are BIW companies in India which are over 10,000 crores. So, I think getting from where we are right now to 1,000 crores over the next two, three years should not be a challenge from a market perspective. And we are quickly picking up customers.

Stellantis was our only customer. Now we have four. And we are quite confident that even with the change from internal combustion vehicles to electric vehicles, we are seeing a fair amount of interest. We picked up orders from TI for the tie rod project as well for their electric vehicle project. So, I believe our ability to scale this business is quite good.

And most importantly, in reference to your question of whether it's a core capability, whether it ties in well, it ties in well with our other capabilities in metal processing and also in product development. PIW design is also a strong capability that we have and we are currently executing Body in white design projects also, not even necessarily manufacturing, but the product development for many companies. So, yes, it's a core capability for Pennar and one I am sure we will be able to use to grow.

Keshav: Thanks a lot for the elaborate answer, sir. I will come back in the queue.

Aditya Rao: Thank you. Thanks, Keshav.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from PhillipCapital Private India Limited. Please go ahead.

Vikram Suryavanshi: Yes, sir just a quick question. So, what would be our long-term date now? I think total is around 1,195 crore.

Aditya Rao: Yes, 237 is our long-term loan.

Vikram Suryavanshi: 237.

Aditya Rao: Yes.

Vikram Suryavanshi: And inventory would be how much?

Aditya Rao: I am sorry.

Vikram Suryavanshi: Inventory, because I think last few…

Aditya Rao: Inventory, okay. Yes, it's 890 crores.

Vikram Suryavanshi: And I missed the total working capital days for…

Aditya Rao: 79.

Vikram Suryavanshi: 79.

Aditya Rao: It's a little higher than we had wanted. Because we are ramping up for growth, so we had to acquire, but it's 79. Our expectation is to get to 72 quickly and 60 beyond that. Right now we are at 79 for the whole company.

Vikram Suryavanshi: Understood. And this solar, sir, what I understood, because I clearly got your strategy to monetize the assets, which are not focused area. But as a JV partner, and as you rightly said, it is a scale business. So, if that JV has to scale up, then there will be also capital commitment proportionately required from us as a partner, or is there any way where we may not be investing, or how that arrangement is there, or will that Zetwerk will act as a supplier to main other companies where it may not scale up beyond a point? So, just I am not able to get a clarity on terms of when it is a scale business, how capital commitment would be from our side going forward?

Aditya Rao: We only have 18 crores of capital commitment. We have no further capital commitments to the JV. That is all that has been decided. But even that commitment itself puts us at, the JV itself should generate well over 1,000 crores of revenue from that capital commitment. Because it is not just us, Zetwerk themselves are also putting capital in and there is existing capabilities that both companies have.

So, it will be high in terms of revenue. It may not be massive from a profit margin point of view, but it will be profitable. Going forward, I think depending on the choices they make, either the company will raise or, I mean, the JV itself will raise or there may be other partners who are brought in. We are not afraid of dilution.

I think what's important is that the vast majority of Pennar's fundraising cash, equity, debt, profit, internal accruals go towards growing Pennar Industries' verticals, the five verticals that I have said. So, we don't anticipate that, we are quite certain in fact, I can make a stronger statement, that the joint venture will not be a cash-off for Pennar.

We are putting in very limited amount of money, and even with that we are realizing a lot from a value point of view. And the scale of it, Zetwerk and we will work with Zetwerk to scale the company, but they are not massive capital contributions that either one of us is looking to make quite frankly.

Vikram Suryavanshi: Yes, I think, thanks for that clarification. And in PEB last quarter, we have seen a couple of execution delays from PEB business side. So, how outlook is? Are we seeing that picking up or still there are some execution delays?

Aditya Rao: On a sequential quarter basis, I think the current quarter, fourth quarter, PEB is doing really well. Trend is expected to continue into Q1 of next year. I think as I had mentioned on the previous question, this is on the back of primarily capacity utilization increasing and capacity utilization in other plants also increasing. You increase a little bit of capacity at our other two plants as well.

So, yes, our order book is large right now. We need to do a better job. converting it to revenue. Our customers also will not be happy if we just have a large order book and don't convert it to revenue. There is a lot of pressure on us to execute quickly, and we are hard at work to increase that. I have no doubt that you will see strong high growth in PEB quarter-on-quarter for the next few quarters, sequentially also. So, we are in a good place. I think we just need to execute better and better participation.

Vikram Suryavanshi: Understood. And last question on engineering business, what was the revenue for 9 month, particularly what we are do outsourcing for USA in terms of design engineering?

Aditya Rao: Yes, what is our engineering services revenue for 9 months? So, we don't have that break up right now, but I will get that number to you.

Vikram Suryavanshi: Okay, thank you very much.

Moderator: Thank you. The next question is from the line of Sunil from Tanush Investments. Please go ahead.

Sunil: Okay. Sir, I just wanted to understand by any chance we are planning to reduce debt over a period of five years down the line or maybe after reaching a certain point of, you know, revenue and margin?

Aditya Rao: Was your question, are we looking to replace debt? Is that what you are saying?

Sunil: Yes, I am asking, are we any, by any chance, we are planning to reduce debt levels over a period of five years down the line considering the revenue growth and...

Aditya Rao: Yes, as we discussed, the long-term debt for the company is 237. Our EBITDA is far higher than that. These are all non-cash jet which is going to be there with us no matter what as we grow. So, to buy raw material we have to give LC. So, our business model calls for that being there.

So, as Shrikant had mentioned the risk management of this is that we make sure that our total interest cost doesn't and our total debt equity, right, both of those stay in control. So, as long as it's around 3.75%, we are not concerned because a necessary part of our business model that we will have non-cash debt, that we will have those working capital instruments, BGs and others. So, we will have to use them and that is something that we need to be okay with. It's backed by a substantial amount of current assets, so we don't see it as an issue. So, that is on our working capital debt.

Now, from a growth perspective, debt equity is something we have to watch for. I think 0.7 is what we would like to target. We are right now around there itself. Maybe a little higher, but I think by the end of the year, in the next few quarters, it gets back to there. So, long-term steady state, expect 0.7 from us, from a debt equity point of view, and that includes all of it, obviously, right? I mean, do bear in mind, a lot of this is non-cash, short-term debt, which is necessary. So, it's not necessarily a bad thing. It's an indication of our revenue growth.

Sunil: Correct. Yes, thank you. And we are entering into the new solar panel. By what period we will do break-even? I mean, number of years we can think of putting the CapEx in mind.

Aditya Rao: We should have a very quick break-even. We expect that assuming that the JV does 1,000 crores. And these are forward-looking statements, but I am just broadly indicating you the capacity that we have and what we are able to see. So, once that goes going, and that should happen in the next few months, 5% is the expected profit. So, if you take our share of that, then from a minority interest point of view, we should break even very, very quickly.

Sunil: Thank you so much. That's all from my end. All the best.

Moderator: Thank you. Ladies and gentlemen, in order to ensure that management is able to address questions from all the participants in the conference, please limit your question to one question per participants. Do you have a follow-up question? We request you to rejoin the queue. The next question is from the line of Manish, an individual investor. Please go ahead.

Manish: Yes, I have a small question, multiple questions. One is, are you looking at adding the plant capacity in PEB in Western India? And second, what is the status of the tube business?

Aditya Rao: Yes, we are looking to add capacity in Gujarat. That is a stated goal for pre-engineering. Pre-engineering and structural steel, yes, we are looking to add. That's question answer number one. Your next thing was on our tubes business, sir.

Manish: Yes sir.

Aditya Rao: Yes sir, it's stable. I think there is growth vectors that are possible. The large diameter project conclusion will bring about revenue growth.

Manish: About in this quarter means when we will be expecting the ramping up the capacity?

Aditya Rao: It will not be in this quarter, sir. I think these are long gestation projects. So, it will take us time to complete that project.

Manish: Okay. And sir, Gujarat plant, when we are expecting to commission or setting up the plant?

Aditya Rao: I believe our current plan calls for that to be initiated in the next financial year and it doesn't take long to complete.

Manish: Okay, sir. Thank you, sir.

Aditya Rao: Thank you.

Moderator: Thank you. The next question is from the line of Hari Kumar, an individual investor. Please go ahead.

Hari Kumar: Yes, my two questions, sir. One is regarding this hydraulic business we are putting up in the U.S. Is it a manufacturing or a trading firm? And what do you see the potential for that in the U.S.? And the second question, sir, this recent 10% tariff on China, will it throw some opportunities for the tubes and hydraulic exports? And the third one, sir, regarding the Zetwerk, what is it bringing to the table? Like, is it bringing a manufacturing plant or is it bringing capital? Like, can you throw some light on that, sir?

Aditya Rao: Okay. I will try to go through them as quickly as possible. So, what we are incorporating is an NLC in the U.S. It just stepped down. It is from a revenue standpoint. All of our hydraulics business currently is US-based. So, no change there. It's just a structuring thing where we are putting it under an NLC for better revenue recognition, better audit purposes. It's a standard model when you have multiple revenue streams in the U.S., and we have just implemented that. So, there is no new company in the U.S.

The second question, the tariffs, as I mentioned right now, we don't anticipate that affecting us from a revenue, or a profit standpoint, or an operating margin standpoint in any way. All of our supply chains are heavily localized. There is some India to U.S. There is some U.S. to India. There is some China to India. And we will take that into our pricing and increase or adjust pricing as necessary and make sure that there is no revenue or margin impact. But we don't believe that to be able to. The Zetwerk joint venture as we mentioned…

Hari Kumar: Yes, I am asking for any positive surprises from these tariffs, sir. Not any negative ones. Are we expecting any positive surprises?

Aditya Rao: From the tariffs?

Hari Kumar: Yes, sir.

Aditya Rao: No, sir. No positive tariffs.

Hari Kumar: Okay.

Aditya Rao: No negatives or positives or whatever, sir.

Hari Kumar: Okay, thank you.

Aditya Rao: And the last question, Zetwerk, our module capacity of about 1.6 gigawatts comes online in a few months, driving our revenue up, and we hope to have a good break even. Post that I think…

Hari Kumar: What are they bringing to the table, sir?

Aditya Rao: I am sorry, sir?

Hari Kumar: What are they bringing to the table, Zetwerk?

Aditya Rao: Zetwerk is bringing, both Zetwerk and Pennarare combining our order books, production capacities, scaling up those production capacities, and human capital in terms of teams, sales, engineering, and manufacturing. The JV works as an autonomous body. I want to be clear, it's a minority investment for Pennar. It's a majority Zetwerk-controlled entity, and they will consolidate all of their financials with their main company.

Hari Kumar: Thank you very much, sir.

Moderator: Thank you. The next question is from the line of Aniket from ABN Capital. Please go ahead.

Aniket: Hi, sir, thanks again for taking my question. Just had a couple of sort of follow-up questions on the debt borrowing side. You know, Adityaji, as you think about this business over the next two, three years, right, and obviously at sort of 3.75 to 4% of revenue as a substantial sort of cost item, do you feel there is an opportunity for us over time to be able to get better credit rating and then eventually sort of not need LCs or BGs and we can use commercial paper or working capital borrowing or something like that? Is that at all possible in an industry like this? And a bookkeeping question around that is what is the sort of marginal cost of borrowing for you today?

Aditya Rao: Good question. We are right now at A as a credit rating and A1 for our working capital. We intend to ramp that up. We want to get to Double A where commercial paper becomes possible. That's a stated goal. We are working with the credit rating agencies in terms of what they would like to see. And I think the path we outlined out gets us there.

So, that is our goal to do that. And at that point of time, refinance for lower, which has an impact of also reducing interest, increasing our profit, which further improves our credit rating. That is something that, just like our margins are improving, we have also been on a credit rating improvement. We used to be at Triple B, and we have been able to get to A and A1, and we will look to continue to improve that.

The usage of LCs, and I think if it's properly used, I think the credit rating agencies aren't bothered too much by it. It's not the LCs that bother them. I think debt equities, carrying, leverage, those are the things that we need to work on. And we know where they want us to be, and our goals are to reach those. So, we do want a rate increase. We can't commit to this obviously in a certain time frame. It's an assessment that they will have to make, but we know what we need to do to move in that direction, and we are hard at work to achieve that.

Aniket: Makes sense, sir. What's the current marginal cost of borrowing there, if you can share?

Shrikant Bhakkad: 9.8%

Aditya Rao: 9.8% as per Shrikant sir.

Aniket: Got it, sir. Congratulations again and all the best.

Aditya Rao: Thank you.

Moderator: Thank you. The next question is from the line of Keshav from Luxon Investors. Please go ahead.

Keshav: Hi. Sir, in the PEB's business, can retention money percentage overall come down going forward as our scale and credibility grows further or is it a given for the industry?

Aditya Rao: Retention should move down. Our goal, you are talking about our pre-engineered business, I assume?

Keshav: Yes, sir.

Aditya Rao: Yes. So, our retention used to be 10%. Unless it's a very, very good customer, like a really large customer, we are looking at 5%. But our end goal is to make that 0%. How successful we will be? I don't know. But I can assure you our goal is to not let that number go above 5% again. But yes, to some extent, it is the nature of the beast.

Keshav: Okay. And sir, we have had provisions for bad debts to the tune of 10 to 20 crores every year. Would you be able to help with what the source of these debts would be and if we will be able to arrest this leakage also going forward?

Aditya Rao: You are talking about bad debt, like AR reduction.

Shrikant Bhakkad: Yes.

Aditya Rao: So, we have significant buffers in place for that. We reviewed these at the audit company level and at the Board level and our current provisioning, which has been removed from P&L itself on our AR is close to 90 crores and that number will go up. I mean, typically we follow the ECL method, expected credit loss method. So, there is more than enough buffers within the company for any potential write-offs and we don't expect anywhere near those write-offs. So, there is enough ample security that's in the company to safeguard our current assets like that on the table. So, we are not too worried about that at all.

Keshav: Sure, sir. Thank you. That's all from me.

Moderator: Thank you. The next question is from the line of Srikar, an individual investor. Please go ahead.

Srikar: Sir, it's regarding our capability in PEB taking larger projects like, you know, which involve substantial design and engineering like a semiconductor plant, like, is our PEB division capable enough to take such large orders, sir?

Aditya Rao: We are currently undertaking orders for semiconductor for the Tatas. For Tata Electronics we are building plants for them which are in the semiconductor business.

Srikar: Second questiono is regarding our Ascent Buildings, sir. So, we said that we are going to double our production capacity. Like one year back, we just said this. And now, though the revenue has, I mean, not the revenue, but the raw material cost has come down a little bit, not a little bit, but substantially. So, we are hovering around that 160, 180 crore kind of revenue run rate on a quarterly run rate, sir. So, are we eyeing for higher run rates going forward because of this increased capacity? And also you have said that you are going to come up with a new greenfield capacity in U.S., sir.

Aditya Rao: Yes. So, let me explain this better. Good question actually. So, Ascent as we have stated is a major growth vertical for us. But the revenue has appeared stagnant. What has happened, in fact, is our capacity and our production has actually increased by a lot. In fact, we have had double-digit growth in our production and capacity. However, the selling price has declined by a lot in the U.S. over the last one year.

Now it's back on the way up. So, you have a double impact now where your capacity is much higher and the raw material price is also increasing. So, you will see growth quarter-on-quarter in our U.S. business as well. Right now we are projecting growth quarter-on-quarter.

Srikar: And the other question is regarding the green field capacity, sir, which we are trying to add.

Aditya Rao: What capacity, sir?

Srikar: The green field capacity in the U.S. regarding the PEB sector, you just said in the last con call. A new plant. A new plant in Ascent.

Aditya Rao: Yes, we have planned that new plant to come up in the next year. As and we have the clarification, we will be able to give you more details, but it will be similar to what we have added in the capacity in Raebareli.

Srikar: Thank you, sir. That's it from my side.

Aditya Rao: Thank you.

Moderator: Thank you. It's a request to all the participants, please limit the question to one question per participants. Do you have a follow-up question? We request you to rejoin the queue. The next question is from the line of Rahul Shah from Crown Capital. Please go ahead.

Rahul Shah: Thanks, sir. Thank you for the opportunity again. Sir, just one question. It's two parts there. Please address them both. Earlier in one of the questions in the answer, you had mentioned that you are looking at a double-digit scaling. So, can we expect a 25% or 30% CAGR for the next three years? And in one of the calls earlier, you had mentioned PBT margin of 7% can be achieved soon. Can we expect them in FY '26 or it will be later? Thank you. These are my questions.

Aditya Rao: We will not be able to give guidance on our exact PBT percentage and also the…

Shrikant Bhakkad: CAGR.

Aditya Rao: CAGR, right. CAGR growth rate. What we are going to record and what we are going to keep is double digit. Now double digit obviously is a very wide range. But yeah, I think you can refer to your past for what's going to happen in the future. We have aggressive growth plans, and we believe that our capital investments will allow us to grow and scale.

So, the exact percentage CAGR growth and profitability and the margin at which it grows, you will see margin expansion, you will see profit growth at double digit. So, do give us that leeway to adhere to those things. But yeah, obviously we would want it to be as high a double-digit rate as possible.

Rahul Shah: Okay. And it will be sequential also, right? Sequential growth will be there.

Aditya Rao: Yes, sequential growth.

Shrikant Bhakkad: Yes, 100%.

Rahul Shah: Okay, perfect. No problem. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Prateek, an individual investor. Please go ahead.

Prateek: Yes, I have a quick question. You mentioned that the execution part was a challenge. So, can you throw some light where the challenge is? Because the order flow is not a challenge. So, I would want to understand where, what challenges are you facing in terms of the execution? Is it on the shop floor or is it on something else?

Aditya Rao: I will try to be as transparent as I can on this. We underestimated the local issues we face. We have now solved for them. So, we are in a much better place than we were a few months ago. This was our first North Indian plant. It took us a little bit of time. Let me put it that way. I mean, we would like to be as transparent as possible, but I think that's the issue, and we have solved for it.

The other issues are pretty simple. They are all manpower-related, setting up SOPs for factors of production, and we tend to have those kind of issues. It just took us some time to than it's usually taken for us because we have 30 manufacturing plants and it was tough to do it. But the hard work is behind us, the difficulties are behind us.

We are in a great place right now to scale Raebareli. All the factors of production in place. We have been loaded with a good order book, and consequently you will see very good revenue growth in PEB India in the next couple of quarters.

Prateek: Okay, got it. And just to follow up, does this process or does this learning path help you in your future plans as well?

Aditya Rao: Sorry. Could you repeat the question? Sorry, it was muffled. We will look at the audio, but if you could repeat it slowly.

Prateek: Yes, so the challenges that you face currently in the North Indian plant, would that be a template that you can use for your future new plants as well to overcome initial challenges?

Aditya Rao: Yes, 100%. I don't think Gujarat will have the same problem because we have operated a plant in Gujarat before in Baroda. We have taken a land plant on the east, so we didn't have those issues. So, we don't anticipate that this issue specifically that we face would come up, but it will be, you know, I believe it is learning that we had and I am sure we will be better placed for our next plant in North India.

Prateek: All right. Perfect. Thank you.

Aditya Rao: Thank you.

Moderator: Thank you. The next question is from the line of Moksh from Aurum Capital. Please go ahead.

Moksh: I just wanted a clarification. Are you investing 18 crores or 80 crores in the solar module plant?

Aditya Rao: Sorry, again, I request, could you repeat the question? We seemed to have difficulty with audio.

Moksh: Are we investing 18 crores or 80 crores in the JV, the solar module?

Aditya Rao: 18 crores. And that's it.

Moksh: That's it from my side.

Moderator: Thank you. As that was the last question for the day, I now hand the conference over to the management for closing comments. Over to you, sir.

Aditya Rao: Thank you to everyone attending the call. We have taken note of all of the questions, and we will work to implement our plan and deliver growth and capital efficient profitability. Thank you so much for your support and your guidance.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.