SKIPPER Limited

Dated: 2nd November, 2024

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 30th September, 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 29th October, 2024, on Unaudited Financial Results of the Company for quarter ended 30th September, 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: 2024.11.02 13:22:55 +05'30'

Anu Singh
Company Secretary & Compliance Officer

Encl: As above

SKIPPER LIMITED
CIN: L40104WB1981 PLC033408
Regd. Office: 3A, Loudon Street, 1st Floor, Kolkata 700 017
Phone: 033 2289 5731/32
Fax: 033 2289 5733
Email: mail@skipperlimited.com
Website: www.skipperlimited.com

“Skipper Limited

Q2 FY '25 Earnings Conference Call”

October 29, 2024

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 Skipper Limited Q2 FY '25 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Nidhi Shah from ICICI Securities. Thank you, and over to you, ma'am.

Nidhi Shah: Thanks, Palak. Good afternoon, everyone. Today, we welcome the management of Skipper for discussion of the Q2 FY '25 performance. Management team is represented by Mr. Sharan Bansal, the Director; Mr. Shiv Shankar Gupta, the CFO; Ms. 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, Nidhi. Good afternoon to you all and thank you for your continued interest in Skipper. Please take note any forward-looking statement made during this call must be reviewed in conjunction with the risk that the industry and the company face. Some of the key operational and financial highlights in comparison to the previous year quarter were as follows.

I'm pleased to inform you that the company registered its best-ever second quarter revenue of INR1,109 crores and a half year revenue of INR2,201 crores, reflecting an impressive 44% and 66% growth, respectively. This success has been driven by our strong execution in Engineering and Infra segment. The segmented revenue breakup are as follows: Engineering, INR845 crores, up by 42% over previous year quarter. Infra segment, INR160 crores, up by 149%; and Polymers, INR104 crores, down by 7%.

Now moving on to our quarterly financial performance. Our reported consolidated EBITDA increased to INR112 crores, up by 53% while operating EBITDA margin improved to 10.1% against 9.5% in previous year quarter. The operational margins saw growth across all segments with engineering rising to 11.5% from 11.2%. Infrastructure segment surging to 6.5% from 3.5% and polymer improving to 4.6% against 4% in previous year quarter. Going forth also, we will see a consistent margin performance from all our business segments.

The management focus continues towards bottom line improvement. The consolidated PBT increased by 56% to INR44.4 crores and PBT margin at 4% of sales for the current quarter period against INR28.6 crores in previous year's quarter. The consolidated PAT numbers increased by 66% to INR32.9 crores against INR19.8 crores in previous year quarter while PAT margin improved to 3% of sales.

Our half year performance highlights were as follows: We achieved our best ever half year revenue performance. Revenue of H1 FY '25 increased to INR2,201 crores against INR1,327 crores in H1 FY '24, registering a growth of 56%, with margins at 9.9%. Half year export revenue grew 23% to INR410 crores from INR324 crores last year while consolidated PAT increased to INR65.4 crores against INR36 crores in previous year first half, registering a growth of 81%. The PAT margin to sales improved to 3% of sales.

On the order front, I'm happy to inform you yet another good quarter for us. During the quarter, company secured significant sized domestic contracts from PGCIL and several SEBs and export markets, North America and South America, contributing to a total inflow of INR1,660 crores during the period and taking our H1 '25 YTD inflow to INR2,425 crores. The current order book stands at INR6,590 crores, which is the highest ever in company's history and is well diversified across sectors and segments. The order book to engineering and infra segment sales now stands at 2.3x of FY '24 sales.

The tender pipeline remains deep with the current bidding pipeline also near to all-time high levels, reflecting strong opportunities in both domestic and international markets. The vibrant domestic T&D environment aligns with Skipper's commitment to leverage India transmission sector growth with the government's focus on scaling renewable grid infrastructure and improving electrification, Skipper is poised to support this growth.

Our qualification to undertake EPC projects at the highest voltage level of 765 kV and 800 kV gives us a strong advantage as we are among the few companies in the country with the capability to execute these high-voltage projects backed by years of expertise and experience. The CEA, Central Electric Authority has projected an investment of INR9.15 lakh crores in the power transmission sector by 2032, driven by an expected 30% increase in interstate transmission line additions.

This landscape presents immense growth opportunity for our sector and our company. Furthermore, the global shift towards renewable energy integration and carbon neutrality represent a multi-decade opportunity and we are well positioned to capitalize on those trends. Further, the company looks forward to tap emerging opportunities in sectors aligned with the government's rising interest.

Skipper's rising diversification into the business of telecom, railway electrification, water EPC and drip irrigation has tremendous potential aiding to strengthen the revenue stream. In conclusion, Skipper Limited continues to deliver strong operational and financial performance, driven by our focus on execution excellence, strategic initiatives and prudent financial management. We remain optimistic about the future and are confident in our ability to create long-term value for our stakeholders.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Welekar from Axis Securities. Please go ahead, sir.

Aditya Welekar: Yes. Thanks for the opportunity, sir. Congrats for the good set of numbers. Sir, I want to understand what is the capacity utilization of our engineering division in this quarter? And in conjunction with that, what is our status of 75,000 ton expansion, which was expected by Q1 FY '26 and then the next phase of 75,000 ton in the subsequent year?

Sharan Bansal: Thank you. So, the capacity utilization for this whole year, we expect it to be near about 85% and that is more or less the optimum capacity utilization that we can target to achieve in our business. The capacity expansion of 75,000 is well on track. We should be looking to commission it by the end of this financial year. And subsequently, we haven't yet taken up the next year's capacity expansion plan. That we will be taking up those plans towards the -- in quarter 4, please.

Aditya Welekar: So, are you confident that the kind of order flow and demand we are seeing we will be able to cater to that with this expansion plan, and there will not be any missed opportunity on that front?

Sharan Bansal: We believe, yes. So even with the capacity expansion of 75,000, we believe that we are well on track to capture whatever demand opportunities are available in the market. And we will be able to grow both on the top line and bottom-line front with this capacity expansion.

Aditya Welekar: Sir, my second question is on the INR600 crores of fund raise. So I understand you have a CapEx of INR800 crores lined up for next 4 years. And with that, we are looking to raise INR600 crores through any kind of equity instrument or some other instruments. So any update on that? When are we going to place -- when are we going to raise that fund? And what will be the medium to raise that fund?

Sharan Bansal: Yes. So as of now, there is no defined timeline. The company has taken an enabling resolution by the Board. So this will -- this is valid for one year's time. So we will look at the opportune time and go for this fund raise.

Aditya Welekar: And our CapEx of INR800 crores, the guidance which you have given is in line, right, means there is no change in that?

Sharan Bansal: As of now, this is only an estimation. Of course, we decide our capex plan on an annual basis. So like I mentioned earlier that for next year capex, we will be deciding by quarter 4 of this year. So subsequently, we will be deciding on an annual basis. But yes, the INR800 crores of capex is estimation only as of now, it is not a final plan.

Moderator: The next question is from the line of Darsh Solanki from Axis Securities. Please go ahead, sir.

Darsh Solanki: Sir, my question is in relation to the order book pipeline. So, I understand during the Q1 FY '25, our order book pipeline stood at INR18,000 crores. So can we get an estimate of the current order book pipeline?

Sharan Bansal: It is near about at similar level, please.

Darsh Solanki: Similar levels. So, the breakup of the segments and domestic and export would also be similar like that of in Q1 FY '25, correct?

Sharan Bansal: More or less, yes.

Darsh Solanki: Understood. And sir, my second question was in relation to the market share. So like in previous call, you had mentioned that we have a 10% to 15% market share in the high-voltage transmission line. So is there any update on that? Or we are in the same range?

Sharan Bansal: We continue to be in the same range.

Moderator: The next question is from the line of Abhijeet from ICICI Securities. Please go ahead, sir.

Abhijeet: Thank you for the opportunity and congratulation on great quarter. Sir, first question is despite significant revenue growth in the last 6, 7 quarters, the margin has remained largely range bound. So why is there no operating leverage benefit that is visible despite revenue growing north of 30%, 40% in the last 6, 7 quarters? And we have remained largely in the 9.5% to 10% range.

Sharan Bansal: So, if you see that the -- on a PBT basis, company has got the benefit of operational leverage and the PBT margins used to be below 3% earlier, now are in the range of 4%. We believe that there is further opportunity for this to grow as well as the EBITDA growth. And certainly, there will be margin improvement in the long run despite the revenue growth that the company is planning.

Abhijeet: Sir, on the export front, the PBT mentioned that we have bagged about INR300 crores plus of orders from the Americas. So here, can we expect strong orders from the region on a recurring basis now? How do we look at the order inflow scenario coming in from Americas? That has been one of our target geographies.

Sharan Bansal: So, management continues to remain focused on the export market, and this is -- obviously, these order inflows are in line with our commitment to all international markets, especially the developed geographies in North America, Europe and Australia. However, as I've shared earlier that the order conversion cycle in this market is slow.

So, we cannot expect that there will be significant improvement in the near future in the order inflows from these markets. For the near future, we are more bullish about the domestic market. However, we continue to remain focused in these export markets and increase our penetration.

Moderator: The next question is from the line of Rohna Vora from Envision Capital. Please go ahead, sir.

Rohna Vora: Sir, my first question was on the contract liabilities that appear on the balance sheet. So that number has declined substantially in the first half. And that probably also has resulted in a lower operating cash flow. So, any comments on that was the first question?

Sharan Bansal: So I think contract liabilities are the advances from customers. And it is as the projects are executed, then the -- it is only a function of those advances getting adjusted. And probably as we are -- as the new order inflows are also coming in, those advances will likely come in, in quarter 3, quarter 4. So again, this will be range bound as well.

Rohna Vora: And the second question was on the mix between product and EPC. So what is the mix that we envisage and want to have over a long term?

Sharan Bansal: Most of the domestic projects that the company is getting are on EPC basis. So that will continue. It's hard to put maybe a percentage on that right now. So maybe a 75-25 ratio can be assumed going forward for the domestic orders. Of course, for international, 100% is supplies only.

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

Gunjan Kabra: First, is that are we planning to enter any new segments in terms like railways we are already present, like the goal driver which you mentioned in your commentary, rural railway electrification so are we -- how much of the total revenue is coming from railways right now? And are you focusing on that side a little more? And any newer segments that we plan to enter and focus more on the EPC with tower? Or how do we plan in terms of substations or EPC or railway electrification?

Sharan Bansal: So currently, the company's other diversification that the company has already undertaking and what we are doing right now is in the area of telecom and telecom towers, railway electrification as well as water EPC. Currently, all these divisions put together make up about 20%, 25% of our sales. We, in the future, we may look at other opportunities within the power transmission and energy transition spaces. So there are plenty of opportunities as we -- as I shared in my comments earlier that the government had projected an investment of INR9.15 lakh crores up till 2032. So certainly, there will be a lot of other opportunities in other allied areas as well.

Gunjan Kabra: Secondly, the working capital days has increased a lot. So is it -- and how are we planning to manage that in terms of inventory days and payable days as well? Or are we targeting to keep some days in mind? Or how are you planning to improve this?

Sharan Bansal: So in fact, if you compare to last year, the working capital number of days has gone down. We were at...

Gunjan Kabra: In September, it has increased a bit. So is it because of the midyear or is it because of...

Sharan Bansal: No, ma'am, it has gone down. Currently, our working capital days is about 62 compared to 87 in the previous year.

Unknown Executive 87 in March.

Sharan Bansal: 87 in March, I'm sorry.

Gunjan Kabra: Okay. How should we judge the incremental demand for towers to come in? For instances like, for example, 100 gigawatts energy transition is happening. So now the whole transmission lines have been set up, so when you...

Sharan Bansal: Hello. I'm not able to hear you. Hello?

Moderator: Hello, Ma'am? As there is no response from the participant, we will move ahead to the next question. The next question is from the line of Jainam Jain from ICICI Securities. Please go ahead, sir.

Jainam Jain: Sir, my question is the ordering and capex in the Power segment has been overwhelmed in FY '24 and so far, good in FY '25 as well. So do we expect the same momentum to continue in ordering in FY '26 as well?

Sharan Bansal: Yes, absolutely. As I mentioned just in the previous lady who was questioning, the government CEA has projected a total capex of INR9 lakh crores up till 2032. So we expect this capex momentum to definitely continue for the next several years.

Jainam Jain: And sir, despite the recovery in the margins, polymer products are seeing falling margins. Why is that, sir?

Sharan Bansal: In polymer, the revenue has taken a slight hit, we have degrown revenue by about 7%. And there are some reasons for that particularly like destocking by the channel partners due to price volatility. There's been some slowdown in water projects like JJM, which have impacted the project sales. This is the Jal Jeevan Mission I'm talking about. However, the company continues to focus on channel expansion and brand creation for long-term growth, and we expect sales to recover in the coming quarters.

Moderator: The next question is from the line of Amit Kumar an individual Investor.

Amit Kumar: Sir, my question is could you provide some guidance for FY '25 and '26 for top line and bottom line?

Sharan Bansal: So we expect continued growth in top line and bottom line. And Obviously, the company has a strong order book and execution has been strong, as you can see in the performance of the last 4 or 5 quarters.

Amit Kumar: And I think I heard that there's a bid pipeline of around INR18,000 crores, if I'm right. So what would be our hit ratio like out of INR18,000 crores of bids, how much we can expect on our past experience basis?

Sharan Bansal: In the past, our experience has been about 25% to 30% hit ratio on the bid pipeline.

Amit Kumar: And are we L1 in any of the projects?

Sharan Bansal: That's not the company's policy to disclose where we are L1 because until and unless the orders are received, we are not disclosing anywhere where we are at.

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

Aditya Welekar: Sir, just to quantify the top line guidance, we are seeing 25% CAGR over next 2, 3 years. So that still holds, right? And second question is on the polymer side. So we are targeting INR1,000 crores of revenue there. So any colour on that?

Sharan Bansal: Like I mentioned earlier that polymer -- in polymer business, we are continuing to focus on channel expansion and brand creation. We are a good brand in certain markets, particularly the Eastern region markets. And in other markets, we are a good challenger brand. We operate in the premium category pipes, which are the branded categories. So certainly, the long-term prospects of this business are very good.

Moderator: The next question is from the line of Rohna Vora from Envision Capital.

Rohna Vora: So sir, one question was if the export mix has to go down. You said you were focusing on the domestic side of it as of now and the...

Sharan Bansal: Sorry, I'm not able to hear you, sir.

Moderator: As there is no response, we'll take next question. The next question is from the line of Gunjan Kabra.

Gunjan Kabra: Sir, I wanted to understand that how does the incremental demand for tower work? Like suppose right now, there's a whole energy transition that is happening. For example, now 100 gigawatts has been installed, so new transmission lines are getting installed. So with incremental 25 gigawatts, for example, that gets installed in 1, 1.5 years, then will the tower demand increase incrementally? Or will the current lines take care of 125 gigawatts itself? So I wanted to understand how does that dynamic work?

Sharan Bansal: Ma'am, that will actually depend on the transmission system planning for that region because maybe the transmission line system in that region already has some redundant capacity available, where the additional capacity can be loaded. However, considering that renewable power is intermittent, and it is not very predictable. The generation flow is not very predictable.

In general, what we have seen is that most large renewable additions necessarily have to have significant investment in transmission networks to properly connect them to the grid and in a reliable manner. So that is general experience. So, it is difficult to put a number to say that 25 gigawatt of addition, how much exactly will it lead to increase in towers. I think the better metrics will be to look at the overall transmission capex that is happening. I think that will give a better colour of the growth in demand.

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

Dhruv Aggarwal: Sir, firstly, on the international front in the Middle East, Australia and Latin America, how is the demand outlook there, sir? Or are we facing any issue on that front, sir? Firstly that question.

Sharan Bansal: The demand outlook is decent. And like we are also -- as I mentioned earlier, we are strong in the Latin America market and we are increasing our penetration in North America, Europe, Australia and these kind of other developed markets. So I say that we will continue to see export business grow for the company. However, as I have mentioned in the past also that export business, the conversion cycle takes time from RFQ to award. And that is what we are witnessing that there is -- the orders don't flow in at that faster pace as what we see in the domestic market.

Moderator: The next question is from the line of Aryan Vijan from RV Investments. Please go ahead.

Aryan Vijan: My question is regarding the industry outlook. How do you see the industry going from here?

Sharan Bansal: Industry outlook is obviously very positive. As I mentioned that CEA has projected an investment of INR9.15 lakh crores in the power transmission sector by 2032 and this will be driven by an expected 30% increase in intrastate transmission line addition. So certainly, the industry outlook is very, very positive.

Aryan Vijan: And when will be the debt reduced?

Sharan Bansal: When will be?

Aryan Vijan: Debt reduced.

Sharan Bansal: I'm sorry, could you please repeat.

Aryan Vijan: When will be the debt of the company reduced?

Sharan Bansal: When will the debt be reduced?

Aryan Vijan: Yes.

Sharan Bansal: So the company has a very manageable level of debt. Out of our total top line last year of INR3,200 crores, our debt as of March '24, was only at a level of about INR550-odd crores. So we believe that the debt is quite at a manageable level. The debt equity of the company was also at a comfortable level. And as the company enjoys better and better profitability, of course, even despite our capex, we expect that the debt to remain at a manageable level.

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

Dhiral Shah: So what percentage of order book is infra related?

Sharan Bansal: So currently, the total order book is about 85% domestic and 15% export. On the domestic front, you can assume about 70% to be infra and 30% to be products. So maybe about on the total, maybe 50% to 60% order book would be infra.

Dhiral Shah: And sir, what will be your projected infra revenue guidance for FY '25, '26?

Sharan Bansal: I'm sorry, I'm correcting. One minute. 30% would be infra. Total order book is 30% infra. 30% would be infra.

Dhiral Shah: So 70% would be product related?

Sharan Bansal: Yes.

Dhiral Shah: And sir, what will be our projected infra revenue guidance for '25, '26?

Sharan Bansal: If you see this quarter also, there has been significant growth in infra revenue. And it's hard to put a guidance on that because infra revenue can vary from quarter-to-quarter in -- depending on the project execution. However, it will be an upward trajectory.

Dhiral Shah: So will there be any margin improvement on the infra project side as we improve our infra revenue?

Sharan Bansal: Yes, we can expect incremental margin revenue in infra segment also.

Dhiral Shah: Sir, any particular range that we can guide for on the infra revenue side on the margin side?

Sharan Bansal: We don't have -- no, currently, I'm sorry, we don't have a guidance on the margins for the infra.

Dhiral Shah: Sir, second question is, sir, despite the decline in the working capital days, our short-term working capital requirement has remained on the higher side, if you look at on a Y-o-Y basis.

Sharan Bansal: Short-term working capital. Sir, if you see our last year short-term debt was about INR428 crores. This year, the -- yes, last year as of September '23, which as of September '24, the quarter just ended it is at INR366 crores. So there is a reduction of about INR62 crores.

Dhiral Shah: So if I look at your borrowing current liability, it is showing a figure of INR441 crores.

Sharan Bansal: Its current liability. Current liability would include...

Management: Will also include the 12-month time frame of the long-term liabilities which are getting due.

Dhiral Shah: Current maturities.

Sharan Bansal: Current maturities of long-term loans, yes. Okay.

Dhiral Shah: And sir, lastly, on the polymer side, what is our growth guidance for next few years because since it is not working as per our expectation due to the macro environment, which is there. So when you are guiding for '25 or maybe 20%, 25% growth, is it same for the polymer also or polymer would grow a little bit on the lower side?

Sharan Bansal: No, I think polymer will be similar across what we are guiding for the company.

Dhiral Shah: And sir, what would be the margin guidance on -- again on the polymer side since we have improved our margins. But overall, if you look at over next two years, what kind of polymer EBIT margin we can achieve?

Sharan Bansal: See, the industry average is at about 13%, 14% plus. So we believe that we obviously aspire to achieve the industry average in the long-term basis. It is difficult to put a year-wise guidance on that target.

Moderator: The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Sir, two questions. Sir, earlier in the call, you mentioned that you're operating at peak utilization. And generally, our business tends to be slightly H2 heavy. In light of the current capacity we have, is it right to assume that maybe the quarterly run rate we've been seeing in the last 2, 3 quarters is what will continue until the new capacity comes on stream?

Sharan Bansal: Could you repeat your question, ma'am?

Alisha Mahawla: Sure. You mentioned that you're currently operating at 85% capacity utilization, which is peak. And with new capacity coming towards the end of the year, is it right to understand that the quarterly run rate that we're seeing since the last two, three quarters is what will continue till new capacity comes?

Sharan Bansal: No. See, the quarterly run rate, which we've achieved in the last few quarters, has probably been at an elevated level because we hadn't achieved our capacity utilization, where now we have achieved our capacity utilization. Now obviously, it will be difficult to achieve that kind of run rate which we have been delivering in the last few quarters.

Alisha Mahawla: What I'm trying to understand is the INR1,000 crores, INR1,100 crores kind of quarterly run rate is what will sustain till the new capacity comes?

Sharan Bansal: Of course, absolutely. And once the new capacity comes online, of course, definitely, we should be expecting an improvement in that.

Alisha Mahawla: Understood. And we've obviously seen very healthy order inflow in H1. Any order inflow guidance for the year or expectation for H2?

Sharan Bansal: Ma'am, we are reluctant to give any number guidance. However, you see the market is obviously very favourable and there are strong tailwinds in the sector. We expect that order inflow will continue to be strong in H2 also.

Alisha Mahawla: Sure. And last question, with the kind of demand that the industry is witnessing, I'm not sure in the last decade, if this kind of demand was there, are we seeing entry of new players, maybe competitive intensity picking up, which means that margins could be impacted because of irrational bidding by some players?

Sharan Bansal: No, I think, ma'am, right now, see, for new players, obviously, do come in all the time in the business, and we welcome healthy competition. However, because we are operating in the extra high-voltage category in the 765 kV, 800 kV category, where it takes time for companies to build up both the capabilities as well as the credentials for them to be qualifying in this category of voltage levels. So, I believe that we are not seeing any undue competition and we're not seeing any irrational bidding because there is enough business for all the qualified players in our categories.

Alisha Mahawla: And sorry, I wouldn't miss this, but is there an aspiration of what do we want the revenue mix to be between engineering and infra, say, three years down?

Sharan Bansal: No. As of now, we don't have any such targets. We'd like to see both the divisions grow healthily and profitably.

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

Rahil Shah: So just one question. So, I believe in a recent interview, you had made a few statements which our guidance is. So one, you have said that you aim for 25% CAGR over the next three years. Second is you aim to reach INR10,000 crores top line in the next few years, mostly expected by FY '29. And the last one is you expect the margins to improve ahead around 11% over the next two to three years. And you say it's certainly possible. So, do you still stand by these statements? And if so, what is supposed to drive this kind of growth and expansion in margins?

Sharan Bansal: Yes, absolutely. I think all those expectations are definitely still continuing. And our performance in quarter 2 has also been in line of the same. And what will be driving is the project better contracts, better quality of contracts in light of the new market opportunities, better export penetration, as we have displayed in the -- like in this quarter also, we've got orders in North America. And with now the better capacity utilization, which we are now in the range of as well as more cost efficiency driven by the newer investment that we will be making in our plants. I think all of that will help in driving margins upwards.

Rahil Shah: You're already at 10%, right? Why only this 1% improvement in three years' time?

Sharan Bansal: Well, we'd rather be conservative and outperform. Obviously, the aspiration will continue to do better. However, we are looking at good top line growth in the next few years also. So I believe that a good top line growth combined with a reasonable bottom-line growth is the way forward.

Rahil Shah: And lastly, can you please reiterate for me, when you expect the expansion to be ready, the 75,000?

Sharan Bansal: This will be by the end of this financial year, by March.

Moderator: The next question is from the line of Arafat Saiyed from InCred Research.

Arafat Saiyed: Sir, firstly, congrats on a great set of numbers. My first question is on TAM. Let's say, you discussed about the national electricity plan in which the government is looking to spend almost INR9.2 lakh crores over the next 7, 8 years. So can we get, let's say, some sense of what amount can we qualify, let's say, in terms of TAM for our company like our T&D and product details?

Sharan Bansal: We expect based on our current line of business, our addressable market to be about at least 40% to 50% of this INR9 lakh crores. And in the future, we will be targeting to expand our products and services. So we will be targeting to play -- increase our TAM to cater to the other 50% also.

Arafat Saiyed: So let's say, if we get close to, let's say, INR3.5 lakh crores of TAM over the next 7, 8 years, what amount of, let's say, can we get as an order inflow? If we -- can we get around 20%, is that right figure for the next 7, 8 years?

Sharan Bansal: So I think the orders will depend on how much we can execute successfully and what our capacity expansion will be. So I believe that the market is much larger than what we can cater. So I would not like to put a percentage of what we can cater but I believe that based on our execution capability increase and our capacity increase, that is what will decide how much orders we will be able to take inflow.

Arafat Saiyed: Got it, sir. Sir, next is on the order inflow. So if you look at for the quarter, although the order inflow jumped around 9%, but that was largely driven by the export inflow, which has doubled. But if you look at domestic it was largely flat for you, while, let's say, KEC & Kalpataru, I believe they reported much, much stronger domestic inflow. So any thought on that? Can we -- have you lost some, let's say, market share or opportunity in the T&D ordering?

Sharan Bansal: See, the overall order inflow has to be seen on an annual basis. I have maintained that in the past quarters. They may have variances like, for example, quarter 1 was low order inflow at only about INR700 crores, but quarter 2 was quite healthy, about INR1,500 crores plus. So on a quarter-to-quarter basis, there will be variances depending on when the projects are getting finalized. Like for example, in quarter 1 this year and most part of quarter 2, there was a delay in ordering due to the general election. However, now post-election, the ordering activity has picked up quite sharply. And that's what we are seeing the inflows now. I believe that looking at the market, we will be well on track to gather whatever orders that we are targeting and whatever our capacity can fulfil.

Arafat Saiyed: Sir, lastly on, let's say, can you give up, let's say, from where you got this order especially on export front, be it, let's say, I think you are very strong in, let's say, country like Australia, Middle East. So any thought on geographical inflows can guide me on that?

Sharan Bansal: These particular orders were received in South America and North America.

Moderator: The next question is from the line of Abhijeet from ICICI Securities. Please go ahead, sir.

Abhijeet: Sir, my question is, what is going to be our strategy on the T&D EPC front? So last two to three years, we have gotten more serious on the EPC side of the T&D, right, in addition to our product supply. So going forward, are we going to be more serious in terms of bidding there? And what kind of order inflow can we expect from the EPC business of T&D?

Sharan Bansal: I think, Abhijeet, the EPC business, which the company does is very strong forward integration for our product business because obviously, we are very strong in our products, and we are one of the most competitive and integrated T&D structure manufacturers in the world. So obviously, that gives us a big benefit in being competitive for EPC projects also in whatever we cater to. And that will continue to be the trend as long as market has enough opportunities for profitable projects, the company will continue to target them.

Abhijeet: Right. Because as far as I understand, in the current order book, the T&D EPC component share remains not substantial because 30% order book is from infra and that also includes your BSNL order. So that means that T&D EPC is not a major part of the current order book, right?

Sharan Bansal: So I'd like to clarify that when we speak of an EPC order that has a combination of product orders as well as infra orders because we recognize the revenue of the product in our engineering segment, the revenue of the services in the infra segment only. So whatever execution or whatever order book, which I had mentioned in the infra segment, that is only one part of the EPC projects that the company has. Overall, if you look at it, the company has significant EPC projects in the T&D space.

Abhijeet: Okay, understood. Secondly, sir, can you throw some light on the telecom order inflow? I mean, after FY '23, wherein we bagged the big orders from BSNL, if I'm not wrong, there has not been a significant order coming in from that particular business side. So we talked about 5G expansions happening, a lot of talk on that from the private payers as well. So going forward, is there any discussion of any large orders that we are witnessing right now from the private players?

Sharan Bansal: There are order inflows on a regular basis from private players as well. And every quarter, we see some orders. But however, yes, there have been no large orders like the one we saw from BSNL in the previous year. And obviously, currently, our execution capability is also fully booked with the T&D ordering right now.

Abhijeet: Sir, lastly, what is the balance of the BSNL order in our order book right now that is yet to be executed?

Sharan Bansal: Approximately INR1,200 crores to INR1,300 crores.

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

Sharan Bansal: Thank you. We appreciate your continued support and look forward to interacting with all of you again in the next quarter. Thank you.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.